

# ROYAL DUTCH SHELL PLC

## SHAREHOLDER ENGAGEMENT WEBCAST 2020

**MAY 13<sup>TH</sup>, 2020**

### **SHAREHOLDER ENGAGEMENT WEBCAST 2020**

#### **CHAD HOLLIDAY, CHAIR OF ROYAL DUTCH SHELL PLC**



Welcome everyone to this special meeting of Shell shareholders and the Board of Directors. I hope you, your family, your friends and colleagues are all safe and well in this very difficult time. We thank you for attending this engagement, it is very important to us. As you know, we cannot hold the Annual General Meeting as we usually would but your Board very much wants to engage with you and understand your thinking. That is why we have scheduled this special event. We listened to you and you asked for this event, which is why we are taking our time and your time today. Because this is mainly a question and answer period, the great majority of our time will be spent on just that.

If you have the slides in front of you, you should now see something called Definitions & Cautionary Note, which is a disclaimer statement with which I believe you are familiar from the past. We do caution you to take into account all of our regulatory filings as you make decisions about Shell equity.

I appreciate that many of you are in lock-down today or with some kind of restrictive movement because of COVID-19 - the Coronavirus. Others are serving very essential services to our community and are not locked down. I appreciate that billions of people around the world are all having to manage in the face of these very challenging circumstances. I shall start our call today by briefly outlining Shell's response to COVID-19. Then Ben will talk about the most important actions Shell has already taken - financial and operational - to see our way through this. Then Tjerk Huysinga, our Head of Investor Relations, will read out your questions and we will be sure that they are answered by the right person or group, and I shall make that assignment as we go through. In this extraordinary time, Ben has said it is a "crisis of uncertainty" - I totally agree. Let me put it like this. If you could all think back in time to when you were a six-year old in school and you were trying to understand the relationship of the world, Earth and the planets, and your teacher showed you a globe, pointed out the country you are in and the largest city that is close to where you are located, and then you could suddenly see how your country related to other countries, to oceans and to continents. At this point in time, all of that certainty that we have learned has changed: the continents haven't moved but what we thought was right about the world is different.

We will get through this very difficult time but the perspective has changed and we must work through this uncharted territory together. We do face a very different world than the one we have known before and that is not just true for us as individuals but for governments and companies. What we must



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do as Shell is build the resilience to get through this tough time but also build for the future. That is what your Board of Directors is focused on: building a resilient Shell that can respond appropriately to COVID-19. There are three specific areas where we have developed our response, so let me briefly outline those. The first is care. At a time like this, it is vital that Shell focuses on the health and safety of colleagues, customers, communities. Care comes first, care is what we focused on from day one of this crisis, and we promise you we shall continue that as we go forward. The second is continuity. Shell must continue to serve customers every day in spite of these very difficult conditions. As you know quite well, Shell products are the backbone of the energy supply for the world and our people must show up every day to our refineries, to our production platforms, distribution centres and our retail sites, making sure that energy is available so that the needs of the world are met during this important time. Additionally, our Chemicals serve a vital role in the current situation such as for hand sanitisers with which we are all familiar. Third, and, finally we must be financially resilient.

Cash - we must have the cash on hand to deal with these very difficult times, and your Board has the obligation to make sure your Company is resilient, no matter how difficult things get. Ben will describe this in more detail in his outline. Care, continuity and cash are the three things your Board is focused on now as we stabilise during these very uncertain times. We will move forward, as a Company, in these uncharted waters, and we will take the difficult actions, as a Board, to make the decisions that are necessary to make sure your Company is viable as we go through this time. I look forward to our engagement today, and hope you find it very useful. If I could turn it over to Ben for his comments.

### **BEN VAN BEURDEN, CHIEF EXECUTIVE OFFICER OF ROYAL DUTCH SHELL PLC**



Yes, many thanks, Chad, and I would like to echo also your comments on the importance of staying in contact at this time. Thank you all so much for joining us on this call, making the effort to be here, and I also hope that you and your loved ones are all safe and well. As Chad said, this is not a time for your company to stand still. As you will undoubtedly be aware, we haven't stood still. We have acted decisively. We have moved to ensure the resilience of your company for today, but we have also moved to secure resilience of your company for the long term as well.

Let me start with what we have done to preserve our financial strength in the face of COVID-19, and, of course, the very low oil price that accompanied it. This is critical action, because it is by preserving our financial strength today that we can be better positioned to compete tomorrow. When it comes to financial resilience we have a number of levers that we can pull, and the scale of the situation facing the world means that we have had to pull on those levers harder than we would have liked, and that started first of all with reducing our capital expenditure. Through 2020 we intend to reduce it to \$20 billion or less, and that's around \$5 billion less than we had planned for this year. We will spend where we must on keeping our sites



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running smoothly and safely, and ready to meet demand as it returns from platforms, to refineries, to chemical facilities, to retail sites. We will continue with projects where that makes financial sense to do so, and we will focus on robust investments that will give a short-term return. You will hopefully already have noticed some specific announcements on particular projects that are in line with this approach. But in addition to reducing capital expenditure, we are also reducing our underlying operating costs. We are bringing those down by \$3 to \$4 billion over the next 12 months, and that's where you compare it with 2019, so that means that we are reviewing contracts, we are reviewing discretionary spend, travel costs, even recruitment, but it also means no Group performance bonus for any Shell staff this financial year. We are making changes where we have to, where we consider it wise, where it is prudent, even if that means reducing shareholder distributions, and that is why in March the Board decided not to continue with the next tranche of our share buyback programme, and under that programme we have bought back some \$15.75 billion worth of shares since 2018. But, unfortunately, we could not stop there. We could not responsibly, prudently continue with the dividend payment as it was, and that is why the Board decided to reset our quarterly dividend to 16 US cents per share. This decision was born of your company's focus on resilience. It will allow us to ensure we maintain a strong balance sheet at a time when the outlook for the global economy, and our industry, is uncertain. I have been asked what we plan to do with the money saved. In the current environment, rebasing the dividend does not give us more money to spend. It just means that today we will not borrow further to meet our outgoings. None of this, however, changes any of our four priorities for capital allocation. The first is to, of course, ensure that we pay our interest and the rebased dividend. Indeed, we believe the dividend is now set at a level which is sustainable in a wide range of scenarios. The second is to seek to reduce debt and maintain our AA credit metrics; the third is to make capital investments which ensure resilience of the business in the medium term; and our final priority, when conditions improve and we have enough free cash available, is to balance additional shareholder distributions with future growth capital expenditure. When it comes to growing shareholder distributions, this is likely to come as sustainable growth in dividends per share, alongside share buybacks – this mix will help keep the total dividend at a sustainable level.

That's for the future. Right now, these are tough times. None of us wanted to be in this situation, but we are. The best thing we can do today is to make sure that we are ready for tomorrow, to make sure we are strong, to make sure that we can be highly competitive in the future. That same thinking was also behind another major announcement we made last month, the new carbon ambition. Your company is acting today to position itself for future success, both in the world after COVID-19 and in the world transitioning to a lower-carbon future.

That means having a new level of ambition. And that is why your company now aims to be a net-zero emissions energy business by 2050, or sooner if we can. We will seek to achieve this overall ambition in three ways, and in step with society. First, we aim to be net-zero on all the emissions from the manufacture of all our products, by 2050 or sooner if we can, and that means net-zero on Shell's Scope 1 and 2 emissions; second, we aim to reduce the carbon intensity of the energy products we sell



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by 65% by 2050; and third, we aim to help our customers decarbonise. We also expect to pivot, over time, towards serving the businesses and the sectors that, by 2050, are net-zero emissions themselves. It is important to note of course that, today, Shell's business plans do not reflect Shell's net-zero emissions ambitions, but we aim to change our business plans over time in step with society and our customers as they themselves move towards a net-zero emissions economy. I know that all of that, our actions of today, our ambitions for tomorrow, our determination to remain resilient in all circumstances, will leave you with a lot of questions, a lot to talk about, and today is a day for your questions.

So Chad, I think we should start answering them - can I please hand back to you to get things going?

Chad Holliday: Ben, thank you very much for those very strong comments and your strong leadership for our company through this very critical time.

We are now moving to the stage where we will answer your questions. You should have on your picture the individual Board members who are wired up so they can answer your questions today, they are located many different places in the world, in separate locations, so if we have a bit of delay in the change back and forth I hope you understand. Let me describe the people that will be answering your questions today: you've just heard from Ben; Linda Coulter is our Company Secretary; Ann Godbehere is the Chair of our Audit Committee; Euleen Goh is a longstanding Board member and after the Annual General Meeting this year will become our Senior Independent Director of the Board. Gerard Kleisterlee is our current Senior Independent Director of the Board and also the Chair of our Remuneration Committee; Sir Nigel Sheinwald chairs our Safety, Environment and Sustainability Committee; Linda Stuntz, a longstanding member of the Board chairs our special committee on Nigeria litigation; and Jessica Uhl, our Chief Financial Officer. As we promised, we will prioritise your questions that you sent in advance first, so we will do all those in the first part of the meeting, but please start typing in your additional questions now into the Q&A box, so they will be up and ready as we take care of the previously-planned questions. Tjerk will be our moderator throughout this session, reading the questions so we all can hear them, so Tjerk, over to you to get us started.



Tjerk Huysinga: Thank you Chad, and welcome to everyone on the call today. As mentioned by Chad, we will begin with addressing questions that have been pre-submitted via our website. We will then move to the questions that you can type in the Q&A box of this webcast. So let us begin now. Most of them are financial questions, so the following question comes from a private shareholder.

Fergus McLeod: Could the Board please explain why the dividend was cut by 67% rather than by a smaller amount such as 50%? The aggressive 67% dividend cut has left the shares on a lower yield than any other major oil company, and unnecessarily depressed our share price. It seems unjustified based on our financial performance.



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Chad Holliday: Thank you, Tjerk. When we look at the level of volatility in economic uncertainty. It is just unprecedented. These are not normal times where we can set normal scenarios, and plan accordingly, and we must be prepared for a weaker for longer prescription.

This decision by the Board was taken over multiple meetings looking at all different alternatives because we understand how important the dividend is to our shareholders and its longstanding nature. Speaking personally, it is the most difficult decision I have ever had to take a vote on in a Board at any time any place, but we felt it was essential that we manage our financial standings so we are sure we are resilient through this, and we keep a strong balance sheet, so we weighed the reset of this dividend very carefully. We wanted to make sure it was still a meaningful dividend for our shareholders, and also affordable, so we have weighed multiple factors, different ratios as you have suggested in your question, but we have concluded this is the right place for us to be now and has been described at the right point in time. In the future we will start increasing distributions to the shareholders to both increases in dividend and share buybacks.

Tjerk, back to you.

Tjerk Huysinga: Thank you, Chad. The next question is from a private shareholder.

Klemen Veber: Since Shell drastically reduced the dividend, regarding that now, I want to ask you the following question. Would it be the right time for corporate action for shareholders? Will Shell offer to its shareholders the possibility to use the dividend for direct reinvestment into RDS A shares with the use of corporate actions? That kind of dividend reinvestment was already possible in the past, so why not use this option now, to reduce Shell's cash burden and, at the same time, give that little flexibility to its shareholders. I hope this option will be possible now and also as long as the dividend is reduced.

Thank you.

Back to you, Chad.

Chad Holliday: Thank you for your question. Jessica, would you answer this one?



Jessica Uhl: Certainly, Chair, and thank you for the question. I believe the reference to corporate actions refer to the use of scrip in lieu of cash dividends. The Board has evaluated a range of options, including these of scrip dividends that we have issued in the past. For the circumstances we are experiencing today, including the extreme volatility in our share price, we believe the decision to reset the dividend is the right one for Shell to reinforce our financial strength and resilience. The Board did not believe that offering shareholders new shares at the current share price, diluting our share base and increasing the total dividend obligation, was in the



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best interests of all shareholders. The option of Scrip dividend is therefore currently not part of our plans. As Ben explained in his introductory notes, when conditions improve and we have enough free cash available, the plan is to balance additional shareholder distributions with future growth capital expenditure. I would note that individual shareholders can access dividend reinvestment programmes through the way they hold their shares, and there is further details on the Shell [website](#) , and if you need more information you could also submit another question and through email, we can get back to you as well. Thank you.

Tjerk Huysinga: The next question is from Mr A W Sluis, and has been translated into English from the Dutch original to allow everyone to follow the conversation.

Mr A W Sluis: Could you by 1 October, a date also relevant to banks – or in the best case already during the presentation of the half year results, state when the dividend per share in due course, step by step may rise again in the direction of the old level at US \$1.88 per share?

Chad, back to you.

Chad Holliday: Thank you very much for the question. I like the way it was worded. It's positive, it's looking forward, it's looking for a brighter future which is exactly what your Board feels.

To be very direct though, if I knew the exact answer to your question I wouldn't have waited until today to share my insights. These are very difficult times and we are still assessing how the economy will ultimately develop. We have reset the dividend to this level. We are doing that to protect the resilience of your company during this period of time so not only do we survive, but we can sustain and grow value for Shell shareholders as we go forward. We believe the strength of our business actions in addition to the reduction in dividend, but also the decisions that have been made around capital deployment and how we deploy our operating costs, are critical for our future, and we feel very comfortable that we have taken the right steps but, if we need to make adjustments later on, we certainly will. Jessica, could you add anything to these comments?

Jessica Uhl: Thank you, Chair. I would just emphasise some of the points that have already been raised. As Ben mentioned in his introduction, our cash priorities are unchanged and I would say a strong balance sheet at this moment in time is more important than ever, and ensuring the strength of our balance sheet, the resilience, the flexibility to deal with whatever uncertain circumstances may unfold is the first priority. However, when things improve and our cash flow stabilises, our outlook stabilises, our balance sheet is in the right position, then we should be in a very strong position to increase shareholder distributions through dividend per share growth and through share buybacks as well as supporting further investment and growing cash flows for our future. The actions we are taking are about ensuring resilience and giving us the flexibility, the resilience and ultimately the ability to come out of this stronger.



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Tjerk Huysinga: Thank you, Jessica. We have the following two questions from Mr Peter Thorne.

Peter Thorne: You have almost eliminated the dividend. Are you going to do the same for the executive salaries? Surely capital expenditure should be all but eliminated with an oil price of \$20. Why do you persist?

Chad Holliday: Thank you for those questions. Let me ask Gerard, Head of our Remuneration Committee, to deal with the first question, and Ben, if you could deal with the second question on capital investment, please.



Gerard Kleisterlee: Thank you, Chairman, thank you, Peter for your questions. A few comments. First of all, we have brought back the dividend as has been explained by two-thirds to one-third of what it was, now 16 cents per quarter, and of course that is a decision that hasn't come lightly. Our Executives are strongly aligned with the way shareholders perceive this because of their significant shareholding requirements that they have, so they both suffer the same way in the dividends of the shares that they hold. Moreover, 80% of the remuneration of our CEO and a significant proportion of the remuneration of the whole Executive Team is variable. In the case of the CEO, it's about 20% is fixed, 80% is variable. Of that variable component, one-third is linked to the single year performance, the short-term bonus, and as you have heard in the introduction, we have cancelled the bonus for all employees for this year, so that part is gone. The other two-thirds of the variable remuneration is linked to the three-year performance of Shell over the three-year period and will be determined at the end of this fiscal year depending on how Shell and its shareholders have fared through the year.

Ben van Beurden: Thanks, Gerard. Let me pick up from there and talk a little bit about our plans for capital investment. As you heard from me before, Mr Thorne, we are planning to reduce the capital investment programme from what we had originally planned which is \$25 billion to \$20 billion or even less if we can, and so far we have made a lot of good progress in working to do this. You can imagine, it's quite significant to use the remaining, say, nine months to take a 20% reduction in capital, but the priorities that we have for the capital that we are going to spend is, first of all, to protect our assets. We have to continue to invest in keeping the assets safe and spending what is required on asset integrity etc. Of course, we also have to finish what we started, so many of our projects are multi-year endeavours. It would be very detrimental not to finish a project that is half-way through completion, so a lot of the capital that is in that \$20 billion is to do just that: to finish what we started. Then there is a



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modest portion left where we still want to continue to make investments that give us a good return, ideally a good return already within the same year or in a very short period. The Executive Team meets at least on a weekly basis, every Friday, to go through all the counter measures that we are taking and, as far as our capital, we have gone through a project-by-project review to get down to that \$20 billion or less, postponing, cancelling and doing everything that we need to do in order to preserve cash but in an intelligent way. The other thing that we have to do is to position ourselves again for the future. It will, at some point in time, be back to more or less normal or fully normal, and we have to be positioned for that. If we were to eliminate completely the investment programme or really cut it back to only spending on safety-related aspects, then, of course, we would very significantly harm the future prospects of the company and with it we would probably harm any capacity to pay any dividend. Therefore, we must make sure that we continue to spend at a reduced pace so that we are ready again for that future but also ready for the energy transition. We have very ambitious plans and, right in the middle of this crisis, we have stepped up quite significantly our ambitions for 2050 but that doesn't happen automatically either. Therefore, we shall continue to focus, including on projects that are relevant and necessary for us to continue to meet these mid and longer-term ambitions. I should also say that we have been in a bit of a downturn for a few years already. It started in 2014/15 and, as a result of that, we have managed significantly to improve the capital efficiency of our projects. At the same time, we are getting - as we like to say - more bang for the buck that we spend, so that we still get a very good yield on the investment dollars that we put to work. Tjerk, back to you.

Tjerk Huysinga: Thank you, Ben. We have two questions now from Alexander van der Graaf.

Alexander van der Graaf: First, the share price of Shell has fallen sharply because of the coronavirus, but the price of Shell had already fallen before the coronavirus broke out. How does Shell intend to create shareholder value again and in what period does Shell intend to realise this? Secondly, the minutes of the shareholder meetings are not published on the Shell website, at least I cannot find them. How can I get the minutes of the shareholder meetings? Back to you, Chad.

Chad Holliday: Thank you, Alexander, for both your questions and let me address the question around the shareholder meetings. Then I shall ask Ben to answer the first question. With regard to previous AGMs, what we do post on our website are our voting results, the presentations made by both the Chair and the CEO, the slides used during the meeting, the notice of meeting and any other formal correspondence. We do not post the minutes but they are available to you on request. We have your email address, so we shall send you a copy of the minutes of the last meeting, which I hope will meet your needs. Ben, over to the shareholder value question.

Ben van Beurden: Thank you very much, Mr van der Graaf. 2019 was already quite a challenging year, though not as challenging as this year. It was, first of all, a year with significant price volatility





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and that was across all of our businesses, as I am sure you will have noticed as well. If you look at 2018, for instance, the average oil price then was \$71 per barrel but in 2019 the oil price averaged only \$64 per barrel. Of course, that seems very high right now but it meant already that in 2019 we could see a weakening in oil markets. The other point is that, particularly during the second half of the year, we could also see quite a weakening in general economic activity, which was impacting on margins, refining and, most certainly, also on chemicals. Of course, the chemicals margins and the health of the chemicals business are very much linked to GDP growth rates, which as I said were weaker. What we could see was, again, a cyclical downturn where supply/demand imbalances in Chemicals were less favourable and part of it was, of course, due to the whole global dynamic around China as well. This year, of course, it is much, much tougher, and earlier on I explained what we are doing to preserve the financial strength that we need in the face of COVID-19 and the very low oil prices that we have seen. That is absolutely critical when it comes to shareholder returns, because it is by preserving the financial strength that we have today that we are positioning ourselves better to compete again tomorrow. And again, when it comes to that financial resilience, we had a number of levers that we could pull. It meant that we had to pull these levers probably much more vigorously than we would like to, but also bear in mind that we actually do have a very strong portfolio and our portfolio has shown that it can deliver very competitive cash flows under, shall we say, normal macro-economic conditions. So we are in a strong position to respond to the crisis, first of all, by demonstrating resilience, by responding thoughtfully and swiftly, but also of course by preserving the strength of our portfolio that will show strong financial performance when macro-economic conditions normalise again. Tjerk?

Tjerk Huysinga: Thank you, Ben. In the next part now we will focus on questions related to the Energy Transition. Here are the first two questions from Michiel van Esch representing Robeco as well as Eumedion.

Michiel van Esch (Questions Submitted on behalf of: Robeco, Aegon Nederland, APG, Kempen, MN, NNIP, PGGM): I would like to thank Board and management for their continued engagement with the institutional investors. We believe that Shell continues to show leadership across the industry with the updated climate ambition. We welcome that ambition and our message is similar as in previous AGMs. It remains important to show investors how concrete actions translate into achieving that ambition. In 2018 a framework was introduced that translates the longer term ambition into shorter term targets and clear reporting on progress. We expect Shell to translate the new ambition into that framework. Shell has defined seven levers that facilitate meeting its NCF ambition. It is important for investors to understand the specific contributions of these levers to the NCF and how far they have been pulled. Can we expect reporting on these in the coming progress updates?



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Secondly, can you elaborate on the pivot towards net zero business together with your clients? How will you track progress and measure impact of these initiatives? Will you develop requirements for doing business with Shell? Chad, thanks, back to you.

Chad Holliday: Thank you for your questions. Ben, could you update us on these, please?

Ben van Beurden: Yes, of course. Thank you very much, Mr van Esch, for your questions. First of all, thank you very much for highlighting the seven levers which are indeed the range of options that we have available to reduce the Net Carbon Footprint of the energy products that we sell. For those of you who are maybe not as familiar with the seven levers that Mr van Esch mentioned, they are improvements in operational efficiency, they are generating renewable power, electric mobility, new fuels like biofuels and hydrogen, shifting more to natural gas, and then of course also offsets and sequestration. And of course more levers could become available as new technological solutions and commercial solutions will appear. Indeed, as we progress on the journey in step with society towards Paris, you can expect us to report in more detail on how far we have pulled these individual levers that are available to us, but are also available to our customers. I should also say that we don't expect these levers to all work in perfect harmony or in a sort of predetermined matter or ratio. They will have to be pulled at different speeds depending on what is commercially or societally available but in the end my expectation is that we have to pull all these levers and we have to pull them quite far and fast. Now, if I come to your second question which is so important to get right, so let me try it in a way and I am sure it will come back later on again. If we want to succeed in our ambition, which is that by 2050 all Shell's own operations and the customers that we will serve will be net zero emissions. That means that as a business, together with others, we will work within sectors which use energy to help identify and enable decarbonisation pathways for these sectors as they get to a net zero emissions future. Think of it this way: every sector that uses energy will either have to use energy that does not have any carbon in it anymore, and then of course it is for us to make available as much as possible no carbon-based energy to these sectors, or if we do end up with parts of sectors where there is no alternative to carbon-based energy, then we have to work with the customers in these sectors to make sure that there are no emissions at least arising from these carbon-based fuels. That may mean that we will, of course, have to work with customers to find solutions for their emissions and we will only serve those segments of society and of the customer base that actually can use carbon-based energy without causing emissions, for instance because they have carbon capture and storage facilities or they use offsets if that is needed like,, for instance, in some sectors, like aviation, but the point is that by 2050 we will not be engaged any more in any business that has carbon emissions or greenhouse gas emissions associated all the way from the well-head to the end use of that product. That means that we have to work with customers, of course, quite a bit, we have to engage, as I said, on a sector-by-sector basis, we have to work with institutions like the Mission Possible platform, we have signed up to a number of sectorial initiatives, like aviation and shipping, we are also looking at how we can make contributions



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to work with counterparties in the passenger and heavy duty road transport sector, etc. It needs to be net-zero emissions across the entire supply chain, ourselves as well as our customers. Your second question, then. That means that we will have to work to, if you like, follow the carbon, so that means we have to work with organisations that will set reporting and accounting protocols so that we can develop a method for tracking and reporting the emission reduction by the customers that we serve.

That tracking and reporting action will require, of course, the development of all sorts of accounting methodologies and frameworks, etc., and of course much of this, if any, doesn't exist yet, so we have to make sure that it gets developed, that we get the tools to measure progress and that are necessary also to make progress. Let me also say at this point in time that we like our investors to join us in these efforts as well. Many of the discussions that we have had with, for example, Climate Action 100+, who are represented on this call as well, has been to see how can we work together, not just in sectorial settings with customers and suppliers to our customers, but also with investors in our customers, to figure out how we do this collectively, intelligently and on a system-based level. Tjerk?

Tjerk Huysinga: Thanks, Ben. We have two more questions from Michiel van Esch from Robeco, and the other shareholders who are highlighted.

Michiel van Esch: Will Shell disclose how its updated climate ambition to reach net-zero by 2050 is planned to be achieved for the three underlying components (the NCF reduction of 65% by 2050; helping clients to be net-zero by 2050 or sooner; and the own operations to net-zero by 2050 or sooner). We need this in order for investors and other stakeholders to understand what progress has been made?

The next question is: we also thank the Chairman of the Remuneration Committee for his openness to investor feedback, for example by reducing the volatility of outcomes of the LTIP in the executive remuneration policy.

The climate ambition is part of the long-term incentive plan. The climate change component accounts for 10%, and the NCF is only a quarter of that. We encourage Shell to increase the weight of the climate component and the NCF in future target setting. Can you respond to this ask?

Back to you, Chad.

Chad Holliday: Thank you very much. Thank you for the quite comprehensive questions and observations. Let me suggest we divide this up in three different speakers: Ben, first I'd like you to start and describe the thrust of the question in the context you've just been speaking before. Then Ann, as Chair of the Audit Committee, I'd like you to provide insights into the work of your Committee assuring that the reporting on the energy transition in its entirety is done correctly. Then Gerard, if you could speak again about how we use the long-term incentive plan to reinforce the climate ambitions. So if we could go in that order, Ben, then Ann, then Gerard. Ben, could you start us off?



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Ben van Beurden: Absolutely. Thank you very much for that follow-on question.

Let's start with our own operations, the so-called Scope 1 and Scope 2 emissions. That is, in terms of explaining it at least, a fairly straightforward story, because we report already on them in detail in our Sustainability Report, and the levers that we have to pull to reduce our Scope 1 and 2 emissions, so greenhouse gas emissions that are emitted from our refineries, our chemical plants and our LNG platforms and our ships and our cars, etc. In fact, we have the same three levers available that everyone in global society has. It is being more efficient, using lower carbon energy if we have to use energy, like renewable power or using hydrogen wherever we can, and then of course if there are still some emissions left it is to offset them, so either capture them and sequester, or if they can't be captured because they are too diffuse, then we have to perhaps offset them with nature-based solutions. So in a way, conceptually at least, they are straightforward and they are largely under our control, but of course let me hasten to add that they are also technologically still significantly challenging because we have to make quite a few significant modifications to the way we run our technical affairs in many of our facilities. But then you also have to bear in mind that Scope 1 and 2 emissions are actually the smallest contributions of our ambition. If you look at our industry, the majority of the emissions that are associated with our products are created when our products are being used, so when motorists use up gasoline and diesel in their cars, when jet fuel is being burned in planes, when natural gas is used up for cooking or heating homes, etc., etc., etc., that is actually the most significant and the most challenging part to solve. The focus, then, is first of all, to achieve our Net Carbon Footprint ambition. That is making sure that the carbon intensity of whatever energy we sell is as low as possible, so in other words, selling more hydrogen, selling more cleaner electricity, selling more clean biofuels, etc., etc., but, secondly, also to work with customers to see how they can decarbonise their energy use, partly, of course, to make sure that they maximise the low or no carbon energy that they use and be more efficient, etc., but also if they have no alternative but to use carbon, to see how we can help them mitigate that, offset it for them, or in any other way deal with the emissions that could arise from it. But it is very important to realise that the Net Carbon Footprint of our products and our customer drive to only serve net zero emission customers, need to work together, and they are, of course, a function of the products that our customers demand. That's why I can't give you at this point in time an exact split between the three building blocks of our net zero emissions energy business just yet, but that will become clearer as we work within sectors, as we work with the new technologies of the future, and as we work across all our portfolio to achieve this ambition. Let me hand over to Ann.



Ann Godbehere: Thank you, Ben. The Board overall is responsible for maintaining sound systems of risk management and internal control, and for regularly reviewing its effectiveness. As the Audit Committee, we assist the Board in those responsibilities by overseeing the integrity of Shell's finance reporting and the governance frameworks around risk management and internal



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controls. With respect to Shell's ambitions in energy transition, as the Audit Committee, what we have been doing in 2019 and this will actually increase over time, we review the methodology, and the controls, and the assurance mechanisms to validate the integrity of the data and the disclosures, and the processes and controls to verify any changes to the model over time. Then, as Ben said earlier in the earlier responses, he was talking about the need to work, for Shell to work with organisations that set the reporting and accounting standards to develop standards for tracking and reporting emission reductions by customers. This, as Ben has already said, doesn't exist today, so this in turn will require Shell to develop appropriate reporting controls and processes, and then when they are available, as the Audit Committee, we will be able to assess the effectiveness of Shell's implementation of those reporting controls and processes, and to make sure that Shell on an on-going basis is meeting our reporting obligations, and that, as a Committee, and as the Board, we are satisfied with the integrity and the quality of that information. Chad, back to you, or I think, Gerard, you were going to address a question as well.

Gerard Kleisterlee: Thank you, Ann. Yes, Michiel, first of all, thank you very much for your positive comment regarding Shell's openness to investor feedback. With respect to reporting on NCF a few comments from me. Yes, we have included energy transition with 10% in the KPIs, and it is about Net Carbon Footprint, and you should not take it that Net Carbon Footprint only is a quarter of that 10%. It is about Net Carbon Footprint, but because we are in the initial stage, and the Net Carbon Footprint number, first of all, does not have an absolute precision to it when we calculate it, and, secondly, it is influenced, of course, by quite a lot of factors that are also outside of Shell's direct control, certainly at short term, that take only the fact that our products are not used as much during the corona crisis, that will be used probably positively our NCF, there is nothing that we have done to it. Therefore, we have said that while it is about reducing NCF and we have set a target for the end of 2021 to reduce our Net Carbon Footprint by 2 to 3%, we also will judge our progress with the things that we do control, and, therefore, we have formulated three enabling programmes which have to do with growing our power business, growing our biofuels business and implementing nature-based solutions and carbon capture as storage and re-usage. At the end of the day, the judgement that the Remuneration Committee will have at the end of the three-year period in '21 is not only how did our NCF number move but also how well did we progress against the plans that we have to build these enablers that, at the end of the day, have to get us to where we need to be in the context of the Paris agreement. The good news, as you can see from the report, is that at the end of the year 2019, we had a net carbon footprint of 78 grams CO2 equivalent per megajoule, which is a 1% reduction from the baseline that we had established in 2016. As such, only a small glimpse of hope, we are on track but we shall have to see how the next two years develop. Because we are at an initial stage, we also said that we start with a modest percentage of the total LTIP set of KPIs, so that we do not get into a situation where we would pay out a positive percentage of the LTIP for a KPI that does not have the full confidence yet of our investor community. We want to assure that when it is about climate change, we do pay for



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performance and we do that in a way that is transparent and verifiable by our investment base as well. That is why we want to get firm feet on the ground with this reporting framework and, as we have that confidence ourselves that we have that firm ground under our feet, and investors also acknowledge their confidence, then we are in a position over time gradually to increase that percentage. That would be my response to your question. Back to you, Tjerk.

Tjerk Huysinga: The next question comes from Danny Dekker, who is with Kempen Capital Management here in the Netherlands.

Danny Dekker (Kempen Capital Management): Can Shell elaborate which part of their recently announced dividend decrease will be used to achieve its updated climate ambition? Have there been projects identified to achieve Shell's climate ambition due to its dividend decrease? If so, can Shell give an approximation of the amount in relative or absolute numbers? Back to you, Chad.

Chad Holliday: Danny, thank you for your question. It is very early in the process but, Ben, could you comment on what we know so far on this?

Ben van Beurden: Thank you very much for your question, Mr Dekker. As I said earlier on, I have had this question quite a few times when speaking to shareholders over the last few weeks. They say 'what are you going to do with the \$10 billion in dividends that you have saved?'. Let me remind you again, this is not money that we have. This is money that we didn't have in the first place, so it is money that we don't have to borrow now if we had continued with the dividend of roughly \$15 billion a year. The dividend decrease was very much to respond to the unprecedented situation that we are seeing and it doesn't give us more money to do something else with. As a matter of fact, we have been reducing the amount of money that we can spend on projects as another counter measure to preserve our financial resilience. We all hope that money will come back, that there is a recovery and, therefore, a scenario in which we shall get more free cash flow to work with. As we said, we would, of course, use that extra free cash flow in a good mix of additional shareholder distributions but also additional growth projects. In principle, all the projects to which we could then allocate that money will have to compete and we shall allocate resources based on the best opportunities and in line with our overall strategy also to reduce the net carbon footprint of this company over the timeframe that we mentioned before.

Tjerk Huysinga: Thanks, Ben. We have three questions from Mark van Baal now representing Follow This.

Mark van Baal (Follow This): I will start with the first two questions. Will your net relative emissions reduction ambition, your net carbon footprint ambitions, lead to a net absolute emission reduction for your total yearly Scope 1, 2 and 3 emissions within this decade by 2030?



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The second question is: will your new ambition, which you announced on 16 April 2020, lead to a fundamental shift in investments away from fossil fuels to renewables of annually at least 50% of your investment within this decade, i.e. by 2030? Back to you, Chad.

Chad Holliday: Thank you, Mr van Baal, for participating in this process and submitting your questions. Ben, will you take these please?

Ben van Beurden: Thanks very much, Mr van Baal. To your first question on the intensity ambition versus an absolute emissions target, of course, eventually we shall need to reduce our absolute emissions as well quite significantly. We shall also have to invest in emission mitigation such as carbon sinks, reforestation projects, carbon capture and storage and so on. These carbon sinks are absolutely essential to help deliver the required emission reductions in the timescale that is available to us to meet these global climate ambitions that we have. However, they are only one of a number of tools that we shall have to meet our ambition to become a net zero energy business. Which element we can achieve by 2030 will of course be very much a function of which part of the world that we are talking about, but we hope that certain regions can really demonstrate that there is a successful path and that other regions will then strive to follow in their wake, and that's why we are always supportive of, for instance, the EU or the UK making an ambition to be net zero by 2050. The second question then on how much to invest and where to invest, I am afraid I have to ask you for some patience. The business that we have has been built over more than a century. We cannot change it overnight, but I can say of course a few things about the direction of travel. Last year when we did our Management Day in June, we regrouped our businesses into three main clusters. We said we have our Core Upstream themes, we have our Leading Transition themes, and then we also said we have an Emerging Power theme. That clustering is still very much relevant today, and the Leading Transition themes, and they are Integrated Gas, Chemicals and they are the marketing business – our Oil Products businesses – continue to be critical for us to capitalise on the energy transition to this lower-carbon future, and we are building an integrated Power business that aims to capture value from the growth in electricity consumption. Which will be part of this energy transition. That focus on let's invest more than just sustaining in the Transition themes and let's really build a strong power business has not changed, and we will continue to grow these businesses or we will continue to grow them disproportionately compared to, for instance, our core Upstream theme. How exactly that will work out, we will have to give you a more detailed update, of course. We are very much aware of that, but I hope you will also understand that giving detailed updates on exactly what we will be doing and how much money will go where and from where is difficult in the environment that we are facing today, so I will have to also there beg for your patience a little bit. On the other side of this crisis, we will be coming with a good update on how we see our strategy play out over the coming years. Tjerk?

Tjerk Huysinga: As I mentioned, Mark van Baal had three questions, so here is his third question



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Mark van Baal: When the Board rejects medium- and longer-term targets in favour of maintaining the flexibility “to thrive in whatever world society moves towards” - (which Shell said in 2018) - does this include a scenario in which the world fails to meet the Paris goal to limit global warming to well below 2°C. Back to you, Chad.

Chad Holliday: Ben, could you take this one too?

Ben van Beurden: Of course, thanks very much for this question as well, Mr van Baal. I think it is important to recognise that we can only sell the products that society needs. We cannot sell products that people do not want or have no use for. That is a very important constraint of course on how we can move forward, but two things also. First of all, I do think that we will meet the climate ambition that was expressed in Paris. We may not quite be on track as a society, but I am absolutely convinced that the willpower of the world and the collective innovation that we will have will get us there. Of course, we will have to do our part, and that is why we are working with the different sectors of the economy that use energy to figure out what their pathway is going to be to get to net zero. To just hang back and say we will just supply the products that society needs and then we will see where we will end up is not our stance. Our stance is we will do our part to make sure that the main sectors of the economy do decarbonise so, in other words, become more efficient, use lower carbon energy, or somehow deal with the emissions that are still there, and we will be their partner up to the point that in the end by 2050 there will be no emissions left on a net basis between ourselves and our customers. Tjerk.

Tjerk Huysinga: Thank you, Ben. We are now moving back to another question from a retail private shareholder.

Ronald Lermer (Retail Private Shareholder): What are Shell’s interests or intentions to participate in nuclear energy, thorium reactors, possible locations obsolete or excess North-sea oil and/or gas platforms. Is there government and/or EU financial support available for such an investment and, if so, to what extent in relation to the financial exposures and risks you are running? Thank you for that question.

Chad Holliday: Thank you very much for your question. Let me put the answer in perspective. Your company is working on a number of arenas to really make a difference in the climate transition, as Ben has described. Hydrogen is very important to us, and we think we can play a very important role in developing that technology. Biofuels, we are a leader in the world today, a number of new technologies to make that more cost effective. Ben has described our Power business on this call today, and we believe we have taken major steps forward in that and we’ll continue.





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In addition, carbon capture and storage and nature-based solutions are areas that we think we have real expertise to bring to the party. Certainly nuclear is an option but we just do not have the base of technical expertise to pursue that and we believe it's better for us to apply our resources to the technologies where we have a fundamental base to start with and leave that to others. Thank you for your question. Tjerk.

Tjerk Huysinga: Thanks, Chad. The next questions are related to Shell's societal licence to operate. The first, we are moving to questions from Ms Cynthia Ann Coltman, Senior Policy Advisor at Both ENDS who acts as a proxy for Mr VJP van 't Riet.

Cynthia Ann Coltman (Senior Policy Officer, Both ENDS, acting as a proxy for Mr VJP van 't Riet): My question revolves around the impact of Shell's activities on the communities in the Niger Delta. The Board is aware of the UNEP report on Ogoniland in Nigeria. That report does not only apply to Ogoni, but to every other impacted community in the Niger Delta region of Nigeria. Shell's activities have contributed to the lack of access to clean water in the Niger Delta. Rivers, streams and creeks are polluted by oil, borehole water tastes of crude, rain water is acidic and not fit for drinking. The gas flaring increases health problems, increases lung diseases, cancer. In this time of COVID-19, the Niger Delta communities are at high risks. How are community members able to access clean water to wash their hands and live safely, particularly women experiencing additional burden as they bear primary responsibility of household water management? Access to water is one of the Sustainable Development Goals out there. When will gas flaring end in Nigeria, the first question? When is Shell planning to commence full remediation of environmental impact by their activities? And what measures are you adopting to address the water pollution in the Niger Delta and meet the global goal of clean water and sanitation for all (SDG 6). Thanks, back to you, Chad.

Chad Holliday: Thank you very much, Ms Coltman, for your questions. There is a number of very detailed questions here and suggestions, and in looking at this I took this one on myself because you were kind enough to submit this in advance. Let me assure you that the Board is focussed on Nigeria, we have regular reviews on Nigeria. Our committee on this, the Safety, Environment and Sustainability Committee, has visited Nigeria multiple times and it is very much something that the Board takes very seriously. In looking at your questions, there were so many detailed pieces of this, I wanted to be sure we answered it exactly right so I have asked Linda Coulter, our Corporate Secretary, to respond to this on behalf of the Board so we are sure we addressed your questions exactly.

Linda, could you take it over?



Linda Coulter: Sure, thank you, Chair and thank you, Ms Coltman. As Chad said, you have a number of questions and I will try to cover them in one go. As to your first statement, I would like to clarify that



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the UNEP report is an independent assessment of hydrocarbon polluted areas in Ogoniland. It actually does not by its content cover the entire Niger Delta region. It relates only to Ogoniland in Rivers State. The clean-up or remediation of polluted sites in Ogoniland as recommended by the UNEP report has begun, and it is a Federal Government-led action. The Federal Government entity, as you know, has been established to implement the UNEP report in Ogoniland is called the Hydrocarbon Pollution Remediation Project, or HYPREP for short. HYPREP started the clean-up programmes in Ogoniland and has been coordinating them since 2016. The SPDC joint venture partners have committed to contribute to the funding of that project in the amount of \$900 million over a five-year implementation period. It is not correct actually to say that drinking water in Ogoniland was polluted by activities of the SPDC joint venture. The UNEP report highlighted the high level of benzene contamination in water wells in Nsisioken which is clearly not related to any SPDC operation in Ogoniland. Benzene, as you know, is a refined product of crude oil which the report confirmed came from third party pipelines transporting refined products through the area. It is important to note that unfortunately Ogoniland is beset by crude theft and illegal refining activities, and the UNEP report also highlighted the impact of these illegal activities on the environment. These activities, and thus the consequent pollution, are mostly concentrated along shorelines of major creeks and rivers as those are the locations that are easier for the operation of the illegal activities. The Federal Government through its security agencies are tackling these challenges and making efforts to eradicate the illegal activities through things such as pipeline surveillance as well as destroying illegal refineries wherever they are found. The UNEP report recommended a number of emergency measures to be carried out in Ogoniland, including provision of potable drinking water to communities whose own drinking water was found to be contaminated with benzene at levels beyond the standards prescribed by the World Health Organisation. In November of 2011, as an immediate intervention, the SPDC joint venture in collaboration with the Rivers State Government, provided about eight million litres of water every month over a 22-month period to the Ogale communities. Additionally, in 2012, the partnership rehabilitated the deteriorating integrated water supply scheme in Ogale to a capacity of about 400 cubic metres. Prompter response to oil spill incidents through appropriate containment such as booms have effectively prevented oil spills from impacting water bodies, and in the event that spills do occur, adequate and effective spilled oil recovery and clean-up is carried out immediately. Importantly, groundwater pollution is a rarity in our operations, even though the majority of spills occur on our right of way, in remote locations. In managing every incident site, risks to water that may be used for drinking or other domestic purposes are initially assessed through a review of land and water use in the areas surrounding the incident site. Subsurface samples are then collected for chemical analysis, and if the assessment finds or suggests that there are actual or potential impacts to water that is used for drinking, or, again, for domestic purposes, then an alternative drinking water supply is provided to impacted individuals, and we have a number of examples of those in action.

On your flaring question, Shell's policy is to reduce flaring and venting to as low a level as is reasonably practical. Shell is a signatory to the World Bank's Zero Routine Flaring by 2030 initiative.



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SPDC is fully aligned with this vision and have been taking steps to reduce gas flaring. Since the year 2000, more than 90% of the gas previously flared is now being recovered through the implementation of associated gas-gathering projects. SPDC has been actively remediating impacted spill sites for all operational spills or spills on its Right of Way, irrespective of the cause. Information about SPDC's activities in this respect are available in the [Nigeria Briefing Notes publication](#), which can be found on our Shell.com website in the investor ESG section. Finally, as a result of the COVID-19 pandemic, and to comply with directives and guidelines from government regulators, SPDC has suspended remediation activities, except at sites where there is imminent danger to people and property. It is important to also note that the government's decision to implement lockdown measures to combat community spread of COVID further impacts our ability to access site. SPDC will recommence remediation activities once the government and its regulatory agencies permit.

Thank you, over to you, Tjerk.

Tjerk Huysinga: Okay, thank you, Linda. Now we are moving to a series of questions received from Diana Junquera Curiel, representing IndustriAll.

Diana Junquera Curiel (IndustriAll): On your website you mention that "keeping our employees and contractors safe and well is our top priority, no matter where they are working. Good working and living conditions help to bring about a safer and more productive working environment." We have conducted research that shows that in Nigeria, where Shell is the biggest operator, occupational health and safety decisions are made by the contractor company, who only cover minor illnesses and injuries and not work accidents. Contract workers, who make up 80% of Shell's workforce in Nigeria, are blamed if they have an accident and dismissed for incompetence. As a consequence, health problems are unreported, leading to very high mortality. Workers are afraid that if they disclose health issues they will be fired. Nigerian companies are obligated to enrol their workers in the HMO, the Health Management Organisation, licensed to manage healthcare, so our question is the following: why Shell does not control and provide proper health insurance for all their workers and contractors? Chad, back to you.

Chad Holliday: Thank you very much. Ben, would you take these series of questions, please?

Ben van Beurden: Yes, thank very much, Chair, and thank you very much Mrs Junquera Curiel for the questions. Let me cover them hopefully quite comprehensively and extensively. Let me first of all say that the Shell companies that exist in Nigeria have a very systematic approach to the management of all health, safety, security, and environmental and social performance issues, that are designed to, first of all, of course, comply with the local laws, but also to make sure that we achieve continuous performance improvement, and more on an underlying basis, promote a culture in which Shell staff, but also contractor staff, can really share in that commitment of these companies.



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Let me reassure you again that Shell companies in Nigeria comply fully with all local laws, including application, of course, of best practice labour relations, such as the provision of managed health services for its employees. Therefore, I am afraid that we have to deny the allegation that contractor employees are blamed if they have an accident, rather we encourage all personnel, including contractor personnel to speak up, and we hold exactly the same standards on health, safety and environment for our employees as we do for contractors, and all safety breaches are reported and investigated. If you look at a review conducted between 2013 and 2018, 86% of all reported safety incidents in Nigeria were peer-to-peer so, in other words, colleagues basically bringing these things up as accidents and incidents and issues as they happened, and that is exactly the practice we want because we want to have a practice that is aimed at promoting hazard appreciation amongst peers, encouraging early intervention and avoiding an actual incident, if possible, and also recognising the fact that an investigation is an opportunity to learn, and consequence management is de-emphasized when it comes to learning and investigations. The statutory requirement for provision of medical coverage for employees in Nigeria is limited in its application, but Shell companies in Nigeria currently make it a contractual requirement for the contractors that they have to provide medical coverage for all its personnel. Our own companies operate our own hospitals in some of the operational bases that we have through the country, and we ensure the enrolment of all employees that are outside the operational bases with the Health Management Organisations that you referenced as well. When it comes to contractors, I think it is really crucial to understand that they are of course independent corporate entities, and they have their own policies and their own practices but, at the same time, all contractors are required to undertake in the contracts that they have with Shell Companies in Nigeria, to comply with all the applicable laws in the country, including enrolment in HMOs. Shell Companies in Nigeria, in the management of the contracts that we do, really make sure that contractors comply with their contractual obligations, and that includes adherence to the provisions of the Nigerian employment laws, including ensuring access to healthcare for employees, and adherence to this provision is assessed both at the pre-award level, so when we do the technical evaluation of these contractors, but also post-award as we do periodic performance reviews of these contracts. In addition to the requirement for HMO enrolment, and while recognising that the contractors are, of course, independent corporate entities, we continue to look for ways to review and assure ourselves of the specific details on the implementation of that contractor's HMO policy. Specifically, the use of HMOs are mandatory contractual provisions. Shell Health provides assurance and have selected suitable HMOs as service providers that our contractors can then subscribe to, and we also randomly check that the services provided by the HMOs actually meet the minimum standard. Finally, of course, we also have "Tell Shell". "Tell Shell" is a medium that is available to all employees, including contractor employees, to report any concerns they may have. All employees, including contractors, are encouraged to use this platform to report any contraventions or any concerns with the appropriate considerations for anonymity, etc, and everything gets investigated. Tjerk.



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Tjerk Huysinga: The next question is also from Diana Junquera Curiel from IndustriAll.

Diana Junquera Curiel (IndustriAll): In your Sustainability Report 2019 you mention "We aim to work with contractors and suppliers that are economically, environmentally and socially responsible. The Shell Supplier Principles outline what we expect from suppliers. We aim to contribute to the development of local economies in the regions where we operate by creating jobs, boosting skills and sourcing from local suppliers." Our research in Nigeria shows that many contractors violate environmental and social standards. The question is why Shell does not exercise due diligence on contractors to ensure that they are socially responsible?

Chad Holliday: Thank you very much, and thank you for your interest in our Sustainability Report and our Shell Supplier Principles. They are very important to us. Ben, I think this is in the same theme you have been talking about. Would you take this one, please.

Ben van Beurden: Yes, thank you very much, and thanks also for this follow-on question. Again, let me be really clear because we have very clear expectations of our contractors and our suppliers when it comes to business integrity, health, or safety, or security, the environment, social performance, labour, human rights, etc., and they are indeed specified in the Shell Supplier Principles, and then we have of course contractual clauses that are duly endorsed by all contractors. We want to work with contractors and suppliers who show a commitment to these principles as well, in addition to a commitment of course to adhere to all national labour and environmental laws. We validate adherence to these principles and the laws, as I said earlier on, via pre-award due diligence exercises, and as part of that due diligence exercise, we assess the Contractors HSSE standards, we take a good look at their Ethics and Compliance policies, the standards that they have, the technical competence that they have, etc. Then the outcome of this assessment forms the basis of the final contractor selection, of course, alongside also commercial considerations. The due diligence exercises that we do, we also repeat them every three years, to confirm that they continue to be valid, so we do not work with contractors on which we have not exercised the appropriate due diligence. Then of course, we periodically also engage with our contractors, we help them with building capacity, we provide support where we can, we continue to reinforce our expectations on their requirements and their obligations to comply under the contract, etc. We have review sessions with them to emphasise and to deepen the knowledge and the understanding that may be there on best practices and applicable standards that we have. Also at these periodic workshops that we hold with contractor CEOs, we recognise the efforts of contractors who really have exhibited exemplary social responsibility, and there's a reward programme to make sure that there is sufficient peer pressure also in the contractor community to be recognised and to compete, if you like, on meeting the standards that we set for them.

Tjerk Huysinga: Thanks, Ben. We have one more question from Diana Junquera Curiel from IndustriAll.



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Diana Junquera Curiel (IndustriAll): In the Sustainability Report 2019, Shell commits to respecting human rights in communities, workplaces and the supply chain. Your human rights framework is based on the UN Declaration and ILO core conventions, including the right to organise, and you claim that due diligence is embedded into your existing processes and frameworks. Ourselves, as well as many other researchers, have extensively documented cases of human rights violations. Unions consistently report attacks on the right to organise and the dismissal of union activists, especially at contractor companies. Shell has failed to respond to these reports, and refuses to meet with us, the global union that represents its workforce. There is a clear contradiction between your stated principles and the situation on the ground, which you have failed to address. Here comes the question: will a representative of Shell agree to meet with IndustriALL Global Union to establish dialogue with the aim of addressing and resolving some of these violations?

Chad Holliday: Ben, could you follow up on that one too, please?

Ben van Beurden: Yes, of course, and thank you also for this question. Let me say that we have of course taken these questions and allegations very, very seriously. We have investigated them thoroughly, and we have found on each and every one of the allegations that they were fully unsubstantiated. I hope you will recognise that we have responded to IndustriALL with very detailed information, we have done so in a very timely manner and we have done so also with very country-specific outcomes of the investigations that we have conducted on the basis of your allegations. If I then respond to your allegations that we are unwilling to collaborate, let me refer again to all these interactions that we have had with you, to the letters exchanged with your organisation over the last years, and the way we have communicated has been rooted in the respect for human rights and based on serious investigations into each of the allegations that have been made. Our view is that, throughout this exchange, we have clearly listened to you, we have promptly investigated what you brought to the table and we have thoroughly responded to all your allegations. Again, we found that all these allegations were unsubstantiated, and this has been very clearly also spelled out and communicated in detail in all our communications with you. I think we have been completely thorough and we have been completely transparent in all our communications with IndustriALL. In addition to that, I also think, and it is our corporate belief, that engagements with unions are very valuable, but are also most effective at the local level, because potential issues that may exist on remuneration or whatever is an issue to be addressed or a concern, or a grievance to be taken into account, are very often specific and vary greatly from country to country. It depends also very much on the local circumstances, and conditions, even legislation. We believe that these very important conditions and issues that can be brought up can best be represented locally, and not be effectively represented at a single overarching global level. We continue to improve on the way human rights issues are embedded in our existing policies and the processes across our businesses and our functions. We consult with international organisations,



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companies and civil society to understand and to respond to current and emerging issues; and we identify opportunities to continue to improve the transparency that we have. Thank you very much.

Tjerk Huysinga: The following question is from Simon Clydesdale.

Simon Clydesdale: Page 236 of the Annual Report lays out litigation against Shell for its alleged bribery in its purchase of the Nigerian OPL 245 oil licence, saying that these cases are taken together may be material. They include a criminal trial in Milan, charges in Nigeria, an ongoing criminal investigation in The Netherlands and civil claims brought by the Federal Republic of Nigeria. I am not asking about the case itself but a related governance question, which I believe the company can and should answer regarding its governance process and Mr Maarten Wetselaar, Shell's current Integrated Gas Director of New Energies. While not charged into the ongoing cases, Mr Wetselaar is accused by Nigeria of being involved in a corrupt scheme to bribe President Goodluck Jonathan and other officials by a \$1 billion payment to a company owned by former Nigerian Oil Minister and convicted money launderer, Dan Etete. According to a court testimony from Shell's former General Counsel for Upstream, Keith Ruddock, Mr Wetselaar sat on the leadership that handled the transaction and, as the EVP for Finance at the time, his department was in charge of anti-money laundering checks. What investigation has been carried out into Mr Wetselaar's involvement in the deal? That is the first question. Second question: has Mr Wetselaar been interviewed by Shell's Legal team or its external consultants regarding its role in the OPL 245 deal as a member of the leadership? Third question: has he been interviewed regarding his specific role in money laundering checks on the billion dollar payment destined for Mr Etete's company?

Chad Holliday: Thank you for the questions. The Board takes any allegations of this nature very seriously. I can assure you that we have interviewed everyone who has been involved extensively and thoroughly in this process. We took this whole situation so seriously that we created a special committee of the Board to focus on this litigation in Nigeria, and Linda Stuntz is the Chair of that committee, so I would like her to respond to that question. Linda, over to you.



Linda Stuntz: Thanks, Chad, and thank you, Mr Clydesdale, for this question. I am pleased to speak to the governance of this matter, because the Board was so concerned about the complexity and the magnitude of allegations surrounding the OPL 245 2011 settlement that it deemed it appropriate to set up this special committee. I have been the Chair since its inception and Euleen Goh will be taking that responsibility. You have served on it and Ann, the Chair of the Audit Committee, has served on it to make sure we are coordinated with respect to disclosures.



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I want to assure all who are listening that the company, with the assistance of outside legal counsel, has investigated every allegation that has been made, it has reviewed the Milan prosecutor's file, including that, and it continues to search for the truth . We continue to conclude that the 2011 settlement of the longstanding legal disputes relating to OPL 245 was a fully legal transaction with Eni and the Federal Government of Nigeria, represented by the most senior officials of the relevant ministries. I would assure you all that we, as a committee, have met separately with outside counsel, encouraging them to report to us any matter that they deem important or material, and we shall continue to seek the truth. I am pleased to report - I believe it has been reported generally - but I would remind those listening that the United States Securities and Exchange Commission just recently closed its investigation of this matter. We shall continue to do the best we can to assist all the Board and the shareholders in understanding and providing proper governance on this matter. Thank you, Chair.

Tjerk Huysinga: Thank you, Linda. This now ends all of the pre-submitted questions, and we are now moving to the online submitted questions at this particular moment. I shall start with the first question, which is again from Michiel van Esch, who has sent this on behalf of a group of Dutch institutional investors.

Michiel van Esch: In order to understand how the company is translating its climate ambitions into concrete actions, it would be great to understand better what the effect is on capex plans into Renewables. How do the new commitments impact the capital allocation expenditure plans of Shell, how will Shell determine whether a potential new investment is in line with Paris?

Chad Holliday: Mr van Esch, thank you for the question. Jessica, could you address this one please?

Jessica Uhl: Thank you, Mr van Esch, for your follow-up questions. In terms of the new commitments and the profile of our capex programme going forward, there are a few points that I would like to make. We shape the future of the company from a strategic perspective through our capex allocation but also through our opex expenditure, so it is not just through capex that we can effect change. The second point that I would like to raise is just to ensure that people do not only look at our New Energy capital spend when thinking about how we are committed to the Energy Transition and how we are effecting change throughout the company. In fact, there are important initiatives that happen in each of our strategic themes with respect to the Energy Transition. Therefore, if you are trying to understand how we are reshaping the company to meet our net carbon footprint ambitions, you also need to look at what we are doing in our Chemicals business, in our Lubes business and in our Marketing business, as it really does affect each of our businesses and it is not just in our New Energy spend. With the step-up in our ambition, I think we are going to continue to look to accelerate changes in our portfolio across opex, across capex spend along the lines that I have mentioned. We laid some of that out last year when we talked about, and Ben referenced it earlier as well, that we are increasingly allocating





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our gross spend to what we deem the Energy Transition themes, and so that will result in a different capital profile going forward, ultimately a different cash flow profile and a very different mix, and that's the only way we can achieve these net carbon footprint ambitions. In terms of ensuring our choices are in line with Paris, essentially that means are we making choices that are in line with our strategy because our strategy is in line with Paris, and we have a whole host of criteria that we need to satisfy ourselves with, with respect to any capital allocation. Of course we have the financial elements of this: are we achieving the right returns? We also ensure that our choices are in line with our values and our principles and across the ESG spectrum so that all of those criteria are relevant in terms of how we are going to allocate capital.

Specifically with respect to the Paris Agreement and ensuring we deliver on our strategy, as Ben has I think spent some time on, we have very clear commitments on our Scope 1 and 2 reductions. That's going to require capital to make that happen and ensuring that new projects that come on stream are in line with that Scope 1 and 2 ambition is clearly important to us and similarly from a net carbon footprint perspective. We assess this on a project basis but also on a portfolio basis. That's it, Tjerk. Back to you.

Tjerk Huysinga: Thank you, Jessica. There is a follow-up question from Michiel from Robeco;

Michiel van Esch: What is the impact of the raised net carbon footprint ambition on the share of Upstream oil production on the energy mix of Shell in 2050? Will this decline compared to the current numbers? Can Shell provide some indication on the development of the expected energy mix in/towards 2050?

Chad Holliday: Thank you very much for the question. As you know, this is a work in progress out to 2050. but Ben, could you comment on our thinking at this point?

Ben van Beurden: Yes, absolutely, thank you very much. Thank you, Mr van Esch, and let me first of all clarify what is a very important point when it comes to the net carbon footprint ambition. When we talk about the net carbon footprint, we talk about the carbon intensity of the products that we sell. That's not necessarily the same as the products that we get out of the ground, so this is a metric that determines the carbon intensity of our product portfolio, not our asset portfolio, if you like. Sorry that I may sound a little bit particular on this, but when you say the share of Upstream oil production, that doesn't really matter too much. It is really the share of oil products, so diesel and petrol and natural gas, etc., that we have in the mix of the products that we sell. We sell, as a matter of fact, much more than we refine and we refine much more than we produce, and in the end of course what only matters is what is it that we put into the economy, if you like, in terms of carbon or no carbon-based energy. So the energy mix that we sell by 2050 will have a lower carbon content. As I said, it will come down by 65% compared to two years ago . That is also what the IPCC, so the Inter-Governmental Panel on



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Climate Change, believes on average needs to be the mix of carbon products in the energy mix by 2050 if we are to get to net zero or to 1.5o in time. Of course I don't know exactly how our sales mix will play out and also not exactly what sort of investment programme we will have to achieve that mix, but of course it will be less in terms of oil products and therefore also less in terms of oil production that we need to produce these oil products. If you want to have a very simple view on it, and this is probably too simple, but it will still give you an idea, if you currently look at our portfolio predominantly – predominantly – being made up of hydrocarbons or hydrocarbon-based products and we say we want to reduce the carbon intensity of that mix by 65%, then roughly two-thirds of the mix has to change out and has to change into no carbon electricity, no carbon biofuels, no carbon hydrogen, etc., etc., so it will be a very substantial change in the mix. Now, some people say 'Aha, so what you are going to do is really only change the intensity of your products, so in other words you are just going to produce more renewable type of energy and therefore you are going to dilute away the carbon-based energy'. Well, I can tell you we are not going to be able to reduce the carbon intensity of our energy products by two-thirds by just diluting it with a whole lot of no-carbon energy, so we will absolutely have to decline our current oil and gas production and with it, of course, we will have to shift the investment programme away from producing and refining and distributing hydrocarbons into producing, distributing and selling lower or no carbon-based energy products. Exactly how that mix will play out – how much hydrogen, how much bio, even how much oil or how much gas will very much depend, of course, on how the sectors of the economy will be able to absorb all these changes. Tjerk.

Tjerk Huysinga: Thank you, Ben. The next question is from Sarah Smith.

Sarah Smith: Given the urgent need to stop burning fossil fuels to avoid worsening the climate crisis, why is Shell planning to reduce its emissions by only 65% by 2050?

Chad Holliday: Thank you, Ms Smith, for the question. Let's answer this in a couple of different ways. First, if I could turn to Ben to answer the very specific question in how we came up with the 65% at 2050, but, Nigel, if I could turn to you after Ben answers. Speaking for your Committee on Safety, Environment, Sustainability, could you just explain a little bit to our audience the key things your Committee does on behalf of the Board to be sure that these goals are set in a proper way, not just this particular goal, but in general, goals around our environmental standards?

Ben, could you start it off?

Ben van Beurden: Yes, absolutely, thank you very much, and thank you very much, Ms Smith, because this is such an important point to get right, and I am sure that we will have to explain it in multiple different ways to really provide the insight where the 65% comes from and what it means. You are absolutely right that we need to reduce the emissions to net zero, and as a matter of fact, if you talk about why is Shell planning to reduce its emissions by only 65%, let me first of all say, and, again, I am



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sorry for being a little bit pedantic here, we are reducing our own emissions by 100% by 2050, so in other words, all our operations, whether they are upstream operations, midstream operations, LNG plants, refineries, chemical plants, our distribution network, everything that we do will have zero emissions on a net basis, so that's point number one. That's the Scope 1 and 2 emissions. Then, the products that we sell, yes, some of them will still have hydrocarbons in them, or fossil fuels as you call them. I like to talk about hydrocarbons, and that is because, simply, some of our customers or some segments of the economy by 2050 will still not have a viable alternative - that's what we think at least - to use anything but hydrocarbons, and it's not just us who are thinking this, it is also the Intergovernmental Panel on Climate Change in their report. They had a report, the 1.5°C report to see how we could get to 1.5°C, and in all the scenarios that they can envisage, except a few really extreme ones, there are still going to be a significant percentage of hydrocarbons in the product mix that companies like us supply by 2050, so the whole idea that Paris comes down to eliminating fossil fuels is just not correct, it is not viable. It is also not what the IPCC believes needs to be done, but what needs to be done is, first of all, decarbonise as much as we can. If you look at all the scenarios that the IPCC comes up with, on average, the range of decarbonisation is down to the 65% that we mentioned. That's where we got the 65% from, it is an IPCC average, if you like, and then the remainder is basically energy that still has carbon in it that needs to be taken care of by customers. Much in the same way as we are going to take care of our emissions, of course, the industries that we sell to, the airlines that we sell to, maybe even the individuals that we sell to, will have to find a way to offset or to deal with the emissions that could come from the carbon in our products. But what we are going to do about the 35% of carbon content that is still left in our energy mix, we are only going to interact with those customers who have a proven way to reduce their emissions to zero, so in other words, whether it is us or our customers, between us there will be no emissions, so we will literally have in the supply chains that we service zero emissions of greenhouse gases on a net basis. I am sure that we will have to explain this in a number of ways to really get this clear, but let me say again that there is no credible scenario, also not a scenario from the IPCC or anybody who really understands the energy system and climate change that says we can eliminate the burning of hydrocarbons entirely by 2050, so mitigation will still be needed, and we will only deal with customers who can mitigate.



Sir Nigel Sheinwald: Thanks, Ben. Thank you, Chad. Yes, absolutely, the Committee that I chair now, called the Safety Environment and Sustainability Committee, has been increasingly involved in monitoring and supporting the Company's policy towards climate change over the past few years, which has been a period of great activity on the Company's part, starting with the net carbon footprint in 2017 and going forward to the announcement made by Ben last month. What we do is not only act as a sounding board on those issues of policy and strategic directions of the



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Company, but also delve quite deeply into the components of that policy. We have been looking at the carbon abatement programmes which will assess net zero in all our assets and operations round the world, looking at the management of methane emissions, looking at carbon pricing, looking at nature based solutions and carbon capture and storage, which we have already talked about today, and also advising the Remuneration Committee, and Gerard has spoken on this already, on the methodology behind the sustainability elements in both the scorecard and the outset, so dealing both with energy transition, and the annual bonus component, which is about greenhouse gas emissions and intensity. We deal with this at the macro level, but we also try to delve as deeply as we can into the individual subject areas in order to give feedback to management, to act sometimes as a reality check and to bring external perspectives to bear and, indeed, to encourage them down the path of the extensive stakeholder engagement, which is one of the hallmarks of this Company. Thank you.

Tjerk Huysinga: Thank you, Ben and Sir Nigel. The next question is from AS van der Kraan. He has addressed this question to Ben, and he raised the question in Dutch, but has also translated it for you.

AS van der Kraan: Is it a good idea to actually put 10 to 20% of hydrogen into natural gas. This will reduce the emissions – we have 10 to 20% of CO<sub>2</sub>. This question is to Ben.

Ben van Beurden: Thank you very much, Mr van der Kraan. You are, in principle, right. If you would put 10 to 20% hydrogen in natural gas then you get a 10 to 20% CO<sub>2</sub> reduction from the use of that mix, so to speak, but that, of course, only holds true if that hydrogen has been produced from green sources or blue sources. If you made that hydrogen from coal or from oil and gas, then obviously that is a different story, but you are absolutely right, if you could find a way to produce a very significant quantity of green hydrogen, and we could mix it into the existing natural gas grid, then that could give a very interesting reduction. It is technically feasible for those of you who are either someone older, or have read up on the history of municipal heating and town gas. Of course, in the old days, town gas was actually a mixture of hydrogen and other components – carbon monoxide, unfortunately – and it was made from gas oil. That is where the name ‘gas oil’ comes from. You made gas from that oil, but what we currently of course are looking at is how to do this with green hydrogen. That is still quite a technical commercial challenge, I would say. We are looking at a number of opportunities here in the Netherlands, for instance, and we announced it as well, together with Gasunie, to see whether we can build a massive 800,000 tonne per year, green hydrogen plant, that is fused by a 10 gigawatts wind farm off the coast of Groningen, and see whether we can get it up and running by the end of the next decade. That is going to be a massive project. It is called NorthH<sub>2</sub>, and it would be wonderful if indeed we could start to ‘green’ or decarbonise the domestic gas network in the Netherlands and, of course, you can also conceive of these projects in other parts where abundant green electricity is available. The problem with these schemes is that at this point in time they do not work commercially, so in other words, the cost of doing this is out of the money. Nobody would pay for this, so therefore, we either



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have to be, shall we say, legally mandated, which basically means that we can pass the cost on to customers, or there needs to be another regulatory support system where the Government says we think this is so important that we will help companies do this, or we will make it mandatory for gas users to have a certain degree of hydrogen in the mix. Then of course economics will take care of itself, and that will make sure that these schemes over time become more competitive. But indeed, it is solutions like this, significantly of course using hydrogen in the mix - whether it is for heating, like in domestic gas, or whether it is for transportation, or whether it is for very concentrated heating in industrial applications or in steel-making - these are exactly the sort of solutions that we need to get to, to decarbonise the economy.

Tjerk Huysinga: Thanks. Just one comment on timing: we have about 40 minutes left, and I'd just like to highlight, we have many questions, and we will do our best to get through lots of these questions, if that's not possible we will follow up with you directly. Let me now move to the next question, which is from Neil Shah.

Neil Shah: When do you perceive an increase in the dividend back to previous levels for incoming investors, and will this be a gradual increase? What is Shell's current dividend policy going forward?  
Note: I know this has been answered earlier, but maybe something else to add on this important question.

Chad Holliday: Mr Shah, thank you for the question, and we know it's a very important question. Let me give a couple of additional comments that we didn't talk about earlier. Jessica, I'd like to turn it over to you, to share a little bit with our shareholders the extensive analysis that you and your team went through as we came up to this decision. I think that would be helpful for our shareholders to understand the diligence we put into that. We believe the current 16 cents a share is affordable, through a wide range of scenarios through this current COVID crisis. We cannot guarantee it's affordable through the entire thing, but the Board makes a decision every quarter on the dividend. We believe this is possible as we go forward, so we are stressing that is our approach. We will have an update by the end of this year on all of our plans. Whether we will be able to speak to the dividend in more specificity, I wouldn't want to say yet, but we will certainly give you an update on everything we can on plans moving forward. Jessica, could you add more to the analysis that went into this decision?

Jessica Uhl: Certainly, Chair, and thank you Mr Shah for your question. Let me start by saying that the decision the Board took was driven by the extraordinary, unprecedented external circumstances that we're operating within, and I think that's really important to point out. If you look at the results from the first quarter, we actually had a very strong quarter, the fundamentals of the company are strong, the performance is strong, so it was really a decision driven by the extraordinary circumstances that we're in. Those circumstances, as the Chair has alluded to, we took into consideration, and they are really



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touching almost all parts of our business. The one assumption that always gets a lot of attention is the Brent price, and of course that is very materially important to our company, as are the Downstream margins, the Chemical margins, the Refining margins, as is the volume and the amount of product our customers buy from us in our Chemicals businesses and our Marketing businesses. Across all of those key assumptions that drive our revenue and drive our cash flow generation we saw stress coming into the third month of the quarter, and we see those stresses continuing more significantly in the second quarter, and the outlook in terms of what the potential range of outcomes can be on those assumptions remains highly uncertain, and that was really what was driving the decision. The other parts that I think are important in understanding the potential impact on the company are also other risks that may not be as obvious, or perhaps they are: some of the counterparty risks that we'll be exposed to, whether it be counterparties in our supply chain and ensuring that everything's working as it needs to, will our partners show up in the right way, will governments need more from us or not be able to make some of their own commitments with respect to some of the projects that we're investing in? There's a whole suite of issues and risks that we need to consider for the next couple of years, and all of those have been considered. We've reviewed a wide range of scenarios, very low price scenarios, reasonable to somewhat higher scenarios, though I would say those haven't been given a lot of attention, certainly in the next couple of months, because our expectation is that the economic conditions, and the conditions for our sector in particular will remain likely stressed through '21, through '22. Again, we took all of that into consideration, did a lot of analysis, we consulted with external advisors to test our thinking when concluding what would be what we believe is the most prudent dividend level for us to be using at this point in time, and as we've said before, to ensure the resilience and the strength of the company from a financial perspective, while allowing us to continue to invest in the company and ensure the long-term strength of the company and the longevity of the cash flows. Thank you.

Tjerk Huysinga: Thanks Jessica. The next question, Chad, is from Mr David Summers.

David Summers: What is the medium- and long-term future for Shell?

Chad Holliday: Yes, Mr Summers, thank you for your question. It is a very challenging and difficult time, but let me start off with an answer to the question, then I am going to call on two of my colleagues from the Board, Euleen Goh and Ann Godbehere, to add their perspectives on the question that's put before you. As you know, the subject of the strategy for the company is a matter reserved for the Board and we take it very seriously obviously developing in close coordination with the management teams, but this thriving through the Energy Transition which Ben has described so eloquently today with our new climate ambitions that we released in April '16 I think describe a very bright future for this company medium and long-term. I think we are a real leader in our industry, we are shifting the company in just the right directions and what encourages me most is the quality of



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people inside of Shell and what they are doing every day. First Euleen and then Ann, would you just add your perspectives to Mr Summers' question?



Euleen Goh: Thank you, Chad and thank you Mr Summers. This is an important question for all of us. This is your company and I assure you that the Board gives very thorough consideration to our future, the immediate future, the medium-term future and the long-term future. Hence we are talking not just about today. You hear Ben talk extensively about 2050 and how we want to stand out in our sector for environment, for social, for our governance as well as for the commercial considerations to make sure that this company is able to have a future that will be long-term, will be built to last, it will have a future that can pay you a sustainable dividend and that's the

basis of some of the difficult decisions we have had to take today in order to look forward into a future that we believe is long-term and will be one that you would want to invest in. We continue to deliberate on what the strategy would be and we would have to be agile, we would have to continue to have built and nurture a people that would have the expertise, the experience and the spirit to build this company for a bright future. So Chad, I'm totally on side to be the first to say, together with my Board members I am sure, that we have a future that you as our shareholder will want to invest in. Thank you. Over to you, Ann.

Ann Godbehere: Thank you, Euleen. That was pretty comprehensive, so from my perspective may just I agree with absolutely everything that has been said, and the question that as a Board member and shareholder and as I sit in the Boardroom and try to represent the interests of all stakeholders, some of the questions that as a Board we are asking ourselves and management is what are the plausible scenarios for the future of our industry, and what in our strategy, current strategy or as strategy evolves over time, is that strategy robust to the changes in the macro-environment, and particularly Energy Transition and demand for our products? As Chad said earlier, or as Ben said earlier, we can only produce products that in fact customers want to buy from us. And then what are the sensitivities that we most need to be cognisant of and make sure that, to use Euleen's language, that we can be agile and nimble to respond to. And how do we make sure that we have gotten, again using talent - throughout the organisation we have tremendous people I believe working for Shell with such dedication and integrity - but how do we make sure we have the right talent then to execute on that strategy. As the last few months have shown us, what are the potential downside risks and what are the mitigating steps that we do need to be agile enough to respond to? So a little bit maybe trying to give you a bit of perspective from one Board member of how we think about the commitment to that medium and long term and I absolutely believe Shell has a great future that builds on its great history. Chad, thank you - back to you.



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Tjerk Huysinga: Yes, thank you very much Euleen and Ann. The next question is from David Russell. He is from USS and from the IIGCC and the CA 100+ Group.

David Russell (USS, IIGCC, CA 100+ Group): We welcome our company's recognition of the need to adapt to a lower carbon future and further align with the Paris Agreement and net zero by 2050. The statement made in conjunction with the CA 100+ Group representatives in April is market-leading. Here comes the question: can you explain how you will be engaging with your customers to encourage them to play their part in hitting that net-zero target.

Chad Holliday: Ben, you have been a real leader in establishing this direction and I know you look forward to answering this question!

Ben van Beurden: Thank you very much, Chad! First of all, thank you very much, Mr Russell, for your encouraging statement and your recognition. I agree with you that the collaboration with CA 100+ has been absolutely essential and it has also been leading in the investment community and in our sector. I also agree that the net-zero statement is absolutely market leading. Now how are we going to get there? You are absolutely right, we have to engage with customers to play their part. We obviously cannot do that with each and every customer individually but we can do that with the core sectors of the economy that we serve. When I talk about core sectors - and I have used this term now a few times - I mean relatively large sectors. Depending on how you want to cut it or define it, there are 12-15 sectors in the economy that are relatively homogeneous: think of aviation as a sector, or deep sea shipping as a sector, or think of heavy duty road transport as a sector, or steel-making as a sector. All these sectors, of course, have very specific energy needs but also very specific challenges to decarbonise. What we believe is needed is not so much a generic approach like putting a price on carbon or whatever in order to get us there. We really need to understand on a sector-by-sector basis what would be needed, how are we going to get to net-zero for this particular sector. Let us take an example, which I know is rather a tough one as it is an industry that is going through a lot of challenge at the moment, but it is such a good example to use that I shall still use it with apologies to everybody in the aviation industry, because that is the sector I would like to use in order to explain the approach a little bit. Aviation is a sector that is growing very rapidly, as a matter of fact, and it will use a very significant amount of energy by 2050 - a very significant percentage. I hope you will intuitively understand that this is a tough sector to decarbonise. Of course, there has been a lot of talk about electrical flying, perhaps flying on hydrogen and so on, but they are all very difficult challenges to get right. I don't think that we shall be flying electrically around the world - exclusively - any time soon to be perfectly honest. How then are we going to decarbonise aviation? If you think about it, there is only one sensible way in which we can do it technologically, and that is to use drop-in biofuels that can be used in the planes that are flying around today. What do I mean by drop-in biofuels? Fuels made





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out of plant-based material that have exactly the same chemical properties as petroleum kerosene or jet-fuel. The plane doesn't notice any difference, it can fly because it is the same fuel but just made in a different way. It is not made out of fossil fuels, it is made out of plant-based material which has been made out of the CO<sub>2</sub> from the air. That technology exists and we do this in our own pilot plants. We can make the sort of kerosene that is currently being burned in planes but entirely out of plant-based material, or, if you want to do so, domestic waste, the sort of stuff that we put into the tip. We can turn that into things like jet fuel. The only problem is that it is very challenging to do this commercially. To give you an idea, it would roughly cost \$250 per barrel and, certainly in today's environment, no airline - if they were flying - could afford that type of price for jet fuel but it is available, it can be done. As a matter of fact, if we were going to build these plants one after the other, the cost of these plants would come down quite rapidly, much in the same way as the cost of solar panels came down very rapidly. For those of you who remember, when solar power was invented it was for the space industry, because that was the only industry that could afford to pay for solar panels. Now everybody can put them on their garden shed. Therefore, it is the innovation that comes from repeating the application of a technology time and time again that will make that technology more competitive. Therefore, we have to kick-start that process of taking costs out, which means we have to make a difficult start, probably with help from governments, to get going on this. The only way that can really work in my mind, if you again take the aviation example, is if airlines, airports, fuel providers, turbine manufacturers, aircraft builders and regulators all sit together and figure out how we are going to do this. It would be so much better if the industry and everybody around that industry turned up together at policymakers in Brussels, in London, in Washington and say 'listen, we know how to do this. If you put these rules or regulations in place, and if you provide this type of supporter incentive, it actually will happen'. What we found is in that discussion, we can play a major role in catalysing it. I am not suggesting that we are the only ones who know how to do it, far from it, but what we do know is that if we come together with the ecosystem around such a sector, we can figure it out. As a matter of fact, in some of the discussions that I personally attended on the aviation sector, for instance, but also the shipping sector, you can see the light bulbs go off, you can see the ideas that don't work being segregated from the ideas that could work, and you can see the beginning of, hey, if we ask for this in a place like Brussels, for instance, we can actually make a start with this, and that's the process that I have in mind, Mr Summers, is for these ecosystems around sectors to work together, so suppliers and customers, and everybody who works in that sector or around that sector to find a pathway and to ask for the supporting regulations to make it happen.

Tjerk Huysinga: Yes, the next question is from Jasper Jansen, he works for the VEB here in the Netherlands.



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Jasper Jansen (VEB): On 31 December 2019 Shell reported 11,096 million of barrels of oil equivalent of fuel reserves. What percentage of these reserves cannot be extracted in a way that's economical viable under current circumstances?

Chad Holliday: Yes, thank you for the question. Let's address it this way. First, I would like to turn to Jessica to answer the quite specific question, and then, Ann, if I could turn to you from the Audit Committee standpoint, and if you could explain to our shareholders the role that your Committee plays in ensuring our reserves?

Jessica?

Jessica Uhl: Thank you, Chair, and thank you, Mr Jansen, for your question. As we have touched on throughout the call, the extraordinary events happening externally have had a material impact on the demand and supply profile in the industry, with demand collapsing in a truly unprecedented way, and that having knock-on effects in terms of how the system is stabilising itself globally, as well as the economic implications, as that's come into severe imbalance and caused the price of oil and gas to decline materially over the last couple of months. What that means for Shell specifically is it raises logistical issues with some of our activities in the Downstream as well as in the Upstream, and it also presents a different economic profile, certainly, in the second quarter. What we disclosed with our Q1 results was an expectation that our production could decline by some 10 to 20% because of these various factors, either because of our assets being located in countries that are part of OPEC plus, plus, or because of some of the logistical implications, or for economic reasons, so that is the expectation. There could be some 10 to 20% reduction in our production profile for the second quarter. However, that is a short-term set of realities that aren't necessarily what we expect going forward. At this moment in time we are not thinking that Brent prices of \$30 to \$35 is the new normal going forward, certainly for the long term. I would also mention that we have put a lot of effort into reducing our breakeven price as a company, and most, if not all, of the Upstream projects we have sanctioned over the last couple of years have breakeven prices below 40. Of course, if the environment continues to look constrained and our view on the long-term price environment is constrained further, we will continue to look for opportunities to improve our capital and cost efficiency. So over the long term at this moment in time I don't think there's material implications in terms of our long-term production profile in relation to the current environment. Back to you, Tjerk. Actually, I think it was going to Ann, apologies.

Ann Godbehere: That's fine, thank you, Jessica. Again, from an Audit Committee's point of view, what we are concerned with is, of course, the integrity of the financial reporting. The Company has a very detailed process for determining reserves and resources. Then, what we, as a Committee do, is we have the VP of Reserves and Resources come and speak directly to the Committee and provide written reports. We look at it in two ways, in separate meetings, even, so that, in the one instance we focus on



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process and methodology, and one understands if there has been any changes in methodology, which there were no material changes in methodology in 2019, but we spend a great deal of time in the Committee with management understanding the process around what the assurance is to ensure integrity of the information. Then, through the year-end process, again, the VP of Reserves and Resources comes back to the Committee with a written report ahead of the meeting on the actual detail of the draft disclosure, and, again, we focus on what are the movements, so what were movements due to acquisitions, things like investments, revisions, reclassifications, discoveries, extensions, improved recovery. We look at all of that, and satisfy ourselves as the Audit Committee that the rigour in the work that has been done, and the reasonableness of the information that is going to be disclosed, so that is a little bit of a process and the work of the Audit Committee.

Tjerk Huysinga: We have about 15 minutes left and, as I said earlier, we still have quite a few questions. We will try to answer quite a few in the next 15 minutes, but then we will pick up otherwise over the emails or separately. The next question is from Büro Ferster.

Büro Ferster: From today's perspective, are you still happy with the BG acquisition?

Chad Holliday: Thank you for the question. It is actually a question the Board asked ourselves about a year ago, and we have obviously updated it since then, but let me point out four of the major factors that we were looking for in the BG acquisition, and give you an assessment of how that is going. First, we already had a leading LNG position, but when you combine that with what BG brought to us, it would become by far the leading position in the world. As we have seen in these volatile markets, that position has paid off for us very well, even better than it did in stable markets, so that was clearly accomplished and we are extremely pleased. The second area was our Deepwater production. We were a leader, BG was a leader, put that together, and again, without a doubt, most would say we are the leader of the world in that aspect. That has allowed us to be able to reduce our cost, and our investment in our facilities and also our operating costs in a very significant way, so we are extremely pleased with that accomplishment, and those were the two big business-based, market-based accomplishments we were trying to achieve with BG. But in addition, we realised that BG has outstanding people. Many Shell people had been with Shell for many decades, and the idea to bring in experienced people in the industry with a different perspective was important, and so under Ben's leadership, we have done a great job of bringing those people in and making sure we are learning from their experiences, as they learn from the Shell experience. The other key aspect of making sure we had value from BG was the integration, and this is where I am very proud of the role the Board played in that because monthly, we reviewed the progress of integration to make sure the steps that we're taking, the cost came out of the system, that we are looking to accomplish that, and we did it safely and in an environmentally sensitive way. All that worked out extremely well, and we could not be more pleased.



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A secondary piece of the buying of BG was the \$30 billion divestitures, so as we look back on those assets that we sold years ago now, we think it is even stronger, given the current environment, that those assets are with somebody else, and we sold them at a different point in time. Clearly, as we look at what we wanted to accomplish, that we executionally wanted to accomplish, the answer to your question is yes, we are pleased with the BG acquisition as we stand here today.

Tjerk Huysinga: Thanks a lot, Chad. The next question is from Edwin Janssen (VBDO), which is a Dutch organisation.

Edwin Janssen (VBDO): Have climate change risks on Shell's assets, supply chain and exposed local communities been thoroughly assessed? Is Shell willing to report more transparently aligned with TCFD? Will the impact of climate change on the customers be part of Shell's climate change strategy?

Chad Holliday: Let me just make a comment, then I would like to turn this to Ben to answer. It is on TCFD. I would just like to compliment Ben and his whole team for being a very early partner in the TCFD effort. When it was first coming up under Mark Carney and Michael Bloomberg's leadership, it wasn't clear whether you would get support from companies like Shell, and I was so pleased to see Shell sign up early, with its great expertise, and now has made TCFD a very important step. Ben, would you please expand on the rest of the question.

Ben van Beurden: Yes, thank you very much, Chad, and thank you, Mr Janssen. Absolutely, Chad is right, we were amongst the first ones to sign up to this. I met on a few occasions with Mr Carney to understand exactly what his objectives were with this particular taskforce, and then pledged that we would be an early adopter of it. We actually, as I described it to him at the time, wanted to be the poster child of how you do TCFD in the oil and gas sector. So we were quite early, if not the first, amongst the first to come out with a report, even before the TCFD guidelines were completely worked out, to explain how our portfolio was going to respond to the energy transition, how resilient that would be, but also what the underlying policies and the strategy was, how the Board is interacting with this, what sort of governance framework we have in the Company when it comes to climate change. We published that in a report - which we will probably have to update from time-to-time to keep it current - but we very much wanted to support the underlying spirit that we have to bring clarity for our investors how the Energy Transition and climate change, for that matter, so including mitigating in our own assets, how that could impact the resilience of the company going forward. What that means for customers of course is that we will have to work with customers to ensure that they can also rely on lower carbon energy alternatives that we would adopt, because very early on in this journey, we decided that we did not want to be the company that was focussed as an oil and gas specialist on those segments of the economy that still would be using oil and gas well into the future. You could argue that could have been a legitimate strategy, but we said 'No, we as a company with our type of brands have to position ourselves as a company that will service a mix of customers with a range of



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products that is indicative of what society needs if it is to meet this 1.5o outcome'. And then we have gone one step further and said 'No, no, between ourselves and our customers, we have to be net zero, so whatever operations we conduct, whatever products we sell, no emissions shall come from this on a net zero basis'. So I think yes, we have underwritten TCFD. As a matter of fact, we are still very much working with the Task Force to work out the practicalities of how you disclose because that is obviously, as I am sure you know, quite a challenge but we definitely will work with this Task Force and any other task force on that matter to understand how we bring resilience and how we bring change to the energy system as it goes to a 1.5o outcome.

Tjerk Huysinga: Chad, given the time, this is most likely the final question. This is a question from Conor Constable from PIRC.

Conor Constable (PIRC): PIRC is monitoring company practices during the COVID-19 crisis and is particularly interested in the safety and security of workforces. Social distancing on oil rigs is presumably very difficult. What measures has the company implemented to ensure that workforces are kept safe? Where numbers of workers have been reduced to adhere to safe distances, has the Government job retention scheme enabled the company to avoid redundancies in the short-term? So two questions, Chad, which are the last questions for today. Back to you, Chad.

Chad Holliday: Sure, thank you very much. Let me start with that and then Ben, if I could ask you to add some additional comments. If you go back to my opening remarks, we talked about the three primary concepts Shell is working under this situation. The first is care. Now I believe that's what's fundamentally behind your question, and that is what the Board has insisted on through this process with great cooperation throughout the entire management team, that we care about our people. The Board receives a weekly report on the progress about caring about people all across the world, individual situations and learning from it. We dig deeply into that and give strong reinforcement to management so we make sure we do care first along with our other two major objectives. Ben, could you add more specifics to that, please?

Ben van Beurden: Yes, absolutely. I think, Mr Constable, that's a very important question and a question I can assure you we are continuing to refine the answer to, and for that matter, it's not just oil rigs that you refer to. It is all our operations, of course. It's also of course challenging to work in a retail site where you are facing customers or it may be challenging to work in a production facility, a refinery, a chemical plant, etc. As a matter of fact, and I know this is not your question, and I will get to the question in a moment, but of course many, many of our employees are also working in quite changed circumstances. For instance, having to work from home quite often supporting these people on rigs or in plants because we now basically forbid them to travel to it, so a lot of virtual working taking place. I am not sure where you are based - actually I know because you are in the UK by the



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looks of it. All the Shell tankers you see on the road in the UK, the scheduling thereof, typically takes place from places like Manila or from India and these people are also working from home and are quite often working from home in slightly more challenging circumstances, as you can imagine, than we are perhaps used to here in Europe. We have to not just care for people in the front line, we also have to care for people who make sure that the entire company keeps on functioning quite often while they are at home looking after children, doing home schooling, maybe looking after elderly parents or relatives that are also in quite challenging circumstances. The amount of effort and time and bandwidth that we dedicate to really understand how everybody is doing is actually quite profound. Now specifically to your question. What do you do with people who can't work from home, because they have to go to a rig, or they have to go to a plant. Of course, we have to take special measures, and it starts with screening, so essentially what we do is, people who may have an underlying condition, who are maybe in an elderly age bracket, we are taking special measures, up to and including saying, maybe you shouldn't go offshore, maybe you should have temporary different duties, or work from home and approach your job in a slightly different way, which is of course a key consideration to start off with. Then whoever actually goes offshore, we screen them as much as we can with questionnaires. We make sure that people don't have a condition, are not ill, therefore really reducing the risk of any transmission that can take place. Of course here we have to follow the law of the land, so in the UK that's different than Australia, which is different than Russia, and different than other parts of the world. In some places we have to go to even pre-offshore quarantine periods, where people have to be quarantined before they can actually go offshore, and therefore quite complicated logistical arrangements to make sure that we do not bring the virus into our facilities as such. Then of course if we talk about offshore, we have to deal with aviation contractors, In some cases we have made it very, very clear that temperature screening and other ways of screening are mandatory. We have upgraded our medical facilities offshore so that we can test and handle any suspected cases with more immediacy and with greater care. Then in some cases of course we even had to go to the point of making sure that we have dedicated transportation arrangements in case people fall ill and have to be evacuated from offshore, quite often with dedicated helicopters which we do as an industry-based approach, for instance in the North Sea. Also on the facility we have implemented, first of all, a lower manning protocol, we have implemented protocols where we can have people working at safe distances, we have extra hygiene measures being put in place. In some cases, where from time to time it would have been normal to share accommodation, we have eliminated that altogether, so we have gone through all sorts of measures to make sure that the risk of infection is dramatically reduced, and if it were to occur that we know how to deal with it. So far I think we are very pleased with our ability to contain the virus and keep it away from our critical operations. Your last question, of course, was number of workers reduced to adhere to safe distancing, have we taken advantage of government job retention schemes? No, not as far as I know, and certainly not in the UK. As a matter of fact, in many cases indeed we still deploy our people, and in many cases our people are working harder than they have ever done before. Chairman, back to you.



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Chad Holliday: Tjerk, do you have more questions?

Tjerk Huysinga: Yes, Chair, we have a few more questions, but what we will do is we will handle those directly with those people via email and in some cases on calls, because we are now at the top of the time here, at 3.30, so I handover back to you for some final closing remarks.

Chad Holliday: Thank you very much, and Tjerk, thank you for an excellent job of managing the questions and managing this call, and your whole team that set this up. I'd like to thank all the shareholders that called in today, we really do want to engage with you. I think this has been effective, we will always work to find more effective ways to communicate with time, but we think this has been helpful, and I hope our answers to your questions have been useful. I would like to close this call in reflecting on the Shell people that are working every day in sometimes difficult situations. I assure you we are doing everything to keep them healthy and safe, but they are making the sacrifices and doing the work to provide energy and critical supplies to a world. If you go back to my first opening comments around the six-year old with the globe, the globe doesn't look quite so clear today. We are confident it will look clearer in the future, and what you can rely on is a resilient, strong Shell coming out, leading in the energy transition as we go forward, and we won't let you down in this time. Thanks very much, everybody stay safe today. We close the call at this time.



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