



Mr. Holliday
Chair, RD Shell plc
PO box 162
2501AN The Hague
The Netherlands
(By email: c/o Anthony.clarke@shell.com)

8th July 2019

Dear Chad,

Re: Decision to sell shares in Shell for clients following Sarasin's Climate Active strategies

As you know, on behalf of our clients owning shares in Shell (several of whom have signed this letter), we have been engaging with you over the last two years about the company's strategy to respond to climate change. We have been supportive of your recent leadership in support of the Paris Climate Accord and this has underpinned our clients' continued shareholding.

However, we were extremely disappointed that, despite your public commitment to act on climate change, the strategy that Shell published at its Management Day on 4th June aims to deliver rising fossil fuel production to at least 2030. We do not view this as aligned with the Paris agreement. We are, therefore, writing to let you know that we have sold the shareholdings in Shell for clients following our Climate Active strategies. Further, given the risks we see to shareholder capital, we will be reviewing our holdings in other strategies.

Shell should align its strategy with the Paris climate goals

As you know, we believe that Shell should manage its affairs in a way which is consistent with the Paris Climate Accord goals; that is to keep temperature increases to well below 2°C above pre-industrial times. Our Climate Active investment strategy is committed only to invest in companies whose operations meet that challenge. More broadly, it is only by making this commitment that Shell's directors can, in our view, credibly claim to be fulfilling their responsibilities

under s172 of the Companies Act 2006 to promote the success of the company for the benefit of all its shareholders having regard to long-term impacts on other stakeholders and the environment.

Shell's plan for growth in fossil fuels to at least 2030 runs contrary to the Paris goals

Until now, we have been supportive of your leadership on climate change, especially the Board's decision to set a Net Carbon Footprint Ambition.

We had been looking forward to Shell making an explicit statement of its commitment to align its strategy with the Paris goals at the recent Management Day. Instead, the executive team outlined its intention to deploy \$27bn to \$28bn per year of shareholder capital – over 90% of the capital expenditure budget – into fossil fuel activities over the coming five years.

Nowhere in the Management Day presentations was there an explanation of how the capital allocation plan would ensure the company is in line with bringing emissions down to net zero by between 2050 and 2070. In fact, far from decreasing production, Shell appears to be using shareholder funds to increase production volumes from 3.7mn barrels of oil equivalent (boe) per day in 2018 to approximately 4.7mn boe per day in 2030.

Shareholders will likely be harmed; so will society

The problem is that climate change is getting worse. As you know, the Intergovernmental Panel on Climate Change's report last year pointed to severe risks to human welfare from global warming of over 1.5°C. More recent reports suggest this is likely to be an understatement. Policy-makers now routinely speak about a climate "crisis", "emergency" and "catastrophe". The UK government recently passed a legal target to reach net zero greenhouse gas emissions by 2050, and others will surely follow suit.

Given the likely acceleration of decarbonisation, for Shell to be committing \$27bn to \$28bn a year of fresh capital to retain the "longevity" of its fossil fuel portfolio for "decades to come", as outlined at the Management Day, puts shareholder capital at risk.

Further, it cannot be in the interests of the millions of people whose long term savings are invested in your company, for you to produce fossil fuels in such volume that planetary stability is threatened.

Directors should rethink Shell's capital deployment plans

Against this backdrop, the Board should rethink its capital deployment plans. Cash flows generated from existing operations should be allocated to attractive opportunities elsewhere, perhaps in the clean energy value chain. If none can be identified, cash should be returned to shareholders. Fossil fuel production should be put on a downward trajectory.

While Shell cannot, of course, bring down global fossil fuel use on its own, it needs to ensure it is not contributing to the problem. It needs to live up to the promise that it will "do no harm".

We hope that the reasons for our divestment will be discussed by the Board. We have appreciated your willingness to listen, and to take steps like introducing the Net Carbon Footprint Ambition. But more is now needed. We hope that the Board will review its strategy and demonstrably align it to the goals of the Paris Agreement. At that time we might consider Shell once again as a long-term investment proposition for Climate Active strategies.

As ever, we are happy to discuss the matters raised in this letter, and indeed to address your Board on the issues it raises. Finally, as we indicated prior to sending this letter, we will make this letter public to draw attention to the points we raise and encourage debate.

Yours sincerely,



Natasha Landell-Mills, Partner
Sarasin & Partners LLP



David Pitt-Watson, Chair, Climate Active Advisory Panel

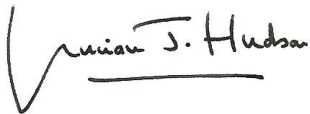
Sarasin & Partners LLP



Jane Madeley, Chief Financial Officer
University of Leeds



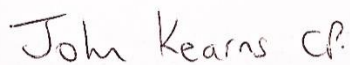
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Gerrit Zalm, Non-executive Director

Anthony Clark, Deputy Company Secretary