



May 2010

Newton's response to the shareholder resolution filed at Royal Dutch Shell's Annual General Meeting 2010 on Canadian oil sands

Resolution 23 - Shareholder resolution

"That in order to address our concerns for the long term success of the Company arising from the risks associated with oil sands, we as shareholders of the Company direct that the Audit Committee or a Risk Committee of the Board commissions and reviews a report setting out the assumptions made by the Company in deciding to proceed with oil sands projects regarding future carbon prices, oil price volatility, demand for oil, anticipated regulation of greenhouse gas emissions and legal and reputational risks arising from local environmental damage and impairment of traditional livelihoods. The findings of the report and review should be reported to investors in the Business Review section of the Company's Annual Report presented to the Annual General Meeting in 2011."

Notice of Royal Dutch Shell's Annual General Meeting, 18 May 2010

Newton's response

Newton's energy supply investment theme recognises that the world is short of energy supply options. There is a strong likelihood that energy prices, particularly transportation fuels, will increase. In order to ensure a continued supply of energy and to avoid a greater shift towards the use of coal within the energy mix, the world will need to embrace the development of supply sources, which may not appear appealing from an environmental or social view point.

Newton recognises that investments in oil extraction involve associated environmental, social and economic risks, particularly with regard to a company's reputation. Newton believes in proactive engagement with the developers of the Canadian oil sands. It is essential that Newton understands these risks and ensures that it does not expose its clients to risk that is not commensurate with the potential reward.

In response to the shareholder resolution being filed at Royal Dutch Shell's AGM, Newton met with FairPensions, a non-government organisation, that co-ordinated the filing of the resolution. This meeting provided Newton with the opportunity to understand the rationale for the filers' requests.

Newton also had extensive meetings with the company, including the Executive Vice President of Shell's Canadian operations, Shell's main board directors and other senior members of staff.

Following its analysis and engagement, Newton has decided to vote against the resolution (in favour of management) at the company's AGM for the reasons outlined below:

- Newton believes that the relevant data for understanding the potential environmental impact of the company's oil sands projects, and the mitigation measures undertaken, is publicly available
- Shell has produced a report relating to its oil sands projects which summarises and discloses all relevant information, including information on the price of oil, water use, land use, local communities and associated market risks. In addition, Shell has made available the price of carbon it uses in its project assumptions
- The company has well established policies and processes in place to conduct comprehensive environmental and social assessments which are standard to all Shell's project planning. Newton believes these policies and processes to be of a high quality
- The company remains committed to continuing a dialogue with all stakeholders and reporting regularly on the development of its oil sands operations
- The resolution requests the full disclosure and publication of information, some of which is deemed to be commercially sensitive. Newton believes that the disclosure of commercially and potentially politically sensitive information may not be in the interests of shareholders.

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