

► SUCCESS STORY: ROYAL DUTCH SHELL AND BP

The Impact of Active Ownership

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Active Ownership is a critical element in CBIS' Catholic Responsible InvestingSM approach, as it is aimed at influencing the strategies, policies and practices of corporations in our portfolios.



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In Royal Dutch Shell and BP's landmark decisions to support the "Aiming for A" shareholder resolutions we find an excellent example of the positive impact of active ownership. "Aiming for A" refers to investors' push to get companies in the top assessment level of the CDP (Carbon Disclosure Project), an initiative that encourages companies to incorporate climate change into their long-term strategies through advocating for improved corporate disclosure and transparency. BP and Shell are expected to issue reports and share their plans to address global concerns regarding fossil fuels and their contribution to climate change. The public reports are expected to include information about greenhouse gas emissions, operational emissions management, research and development on low-carbon alternatives, and their executive incentives and public policy positions relating to climate change and strategic key performance indicators.

This success story represents the ideals we are working for and highlights the significance of BP and Shell's decision:

- **Environmental Stewardship:** The environment is a gift given to us by God. God entrusts humans with dominion over the earth and charges them to cultivate and care for it. The Church teaches us that the environment is neither a mere object to be manipulated and exploited nor is it to be absolutized or elevated above human dignity. Furthermore, just as the environment is inherited from past generations, so too it is passed along to future generations. In order to respect the dignity present equally in all persons, we must not focus solely on immediate needs but also on those of future communities. Therefore, issues such as water sustainability, climate change, pollution, and deforestation are all integral to our role as faithful stewards of the environment.
- **Why BP and Shell?** BP and Shell have the highest carbon footprints in the FTSE100 and can play a key role in the long-term transition of the global energy industry. Both companies face higher costs due to increasing operations in physically challenging environments and development of unconventional oil reserves such as deepwater, Arctic, and oil sands, among others. Plus, shifts in the energy market, including flat or reduced demand, challenges from renewables, and fuel switching from oil to gas can impact profitability and therefore the industry as a whole.
- **CBIS role:** CBIS co-filed both resolutions and played an important role encouraging US faith investors to join the filings. The initiative was led by the "Aiming for A" coalition, which includes 100 US, UK and European asset managers and fund managers, Church investors, and pension funds with over \$200bn AUM. In the UK, 100 filers are needed to file a resolution, so CBIS' shares help to reach that hurdle. In contrast, to file in the U.S., investors need to hold \$2k worth of a stock for a period of 1 year. CBIS' participation helped to ensure that the U.S. was represented, and since **only 7 institutions filed in the U.S., our shares helped to make a difference.** It is uncommon for a company to support a shareholder proposal – in the past 15 years, only Newmont Mining and Tyco have supported CBIS resolutions.
- **The filing:** The resolution at BP and Shell requested annual reporting on the companies' plan to address global concerns regarding fossil fuels, and their contribution to climate change, not only in their Sustainability Reports, but also in their Annual Reports.

- ▶ **The filers:** CBIS was among 53 institutional investors that filed at Shell and/or BP from the U.S. and Europe. The group controls 52 million shares of Shell and 841 million shares of BP. CBIS was also instrumental in organizing several members of the Interfaith Center on Corporate Responsibility to file. Faith-based investors represented 35% of the total (18 organizations worldwide, seven in the U.S.). CBIS' participation and leadership ensured that the U.S. was represented and galvanized others to join, including Connecticut Retirement Plans and Trust Funds, Vermont Pension Investment Committee, United Church Funds, Trinity Health, and Dignity Health.
- ▶ **What exactly was achieved?** Transparency is an important element when it comes to managing risk from climate change. Information like the kind requested of BP and Shell, can help shareholders assess how these companies are managing risk and protecting shareholder value over the long term. Climate change and associated public policy uncertainty may create material risks for investors. Shifts in the energy market, including flat or reduced demand, challenges from renewables, and fuel switching from oil to gas can impact profitability.
- ▶ **Background:** CBIS began engaging Shell in 2008 over concerns about climate change and emissions associated with its oil sands projects in Canada. Since then, we have discussed a range of issues, including pollution caused by oil production in Nigeria's Niger Delta region and accidents in its efforts to drill exploratory wells off the north coast of Alaska. In addition to dialogue, we have also visited the company's operations. In 2011, CBIS participated in Royal Dutch Shell's SRI field trip to Shreveport, Louisiana, with a small group of investors to visit a shale gas drilling rig and a hydraulic fracturing operation in the Haynesville Shale. At times, we have also raised our concerns about climate change by aligning with like-minded investors. For example, in 2013, CBIS joined a coalition of 70 investors

with \$70 trillion AUM in sending letters to many of the world's leading companies, including Shell, asking for a detailed assessment of the financial risks that climate change poses to their business plans.

This is the second climate-focused resolution that CBIS has filed at BP. Our first resolution in 2010 raised concerns about the company's Sunrise Project in the Canadian tar sands, which represented the potential for significant increases in greenhouse gas emissions. In 2011, CBIS led a coalition of 20 investors with \$60bn in AUM in filing at the company following the explosion in the Gulf of Mexico that was subsequently withdrawn after BP agreed to appoint an independent expert to oversee changes to safety and risk procedures. CBIS' engagement with BP began in 2003.

While CBIS has attended many meetings with BP and Shell in the U.S., we have also traveled extensively to London to cover meetings with members of the board and senior leadership team of both companies, including attendance at BP's annual shareholder meeting, where we addressed the CEO and board following the Gulf oil spill.

We believe that transparency is a critical step on the road to better long-term performance. BP and Shell's reports should yield important insight into the company's long-term strategy and approach to environmental stewardship.

CBIS views active ownership as a fundamental responsibility of our stewardship of client assets. Ongoing efforts, like these with BP and Shell, form the cornerstone of our CRI program which covers a wide range of important issues around three key Catholic principles: human dignity, economic justice, and environmental stewardship. Visit our website at www.cbisonline.com to learn more.

Important Information

This is for informational purposes only and does not constitute an offer to sell any investment. The funds are not available for sale in all jurisdictions. Where available for sale, an offer will only be made through the prospectus for the funds, and the funds may only be sold in compliance with all applicable country and local laws and regulations.