



SHELL PLC ANNUAL ESG UPDATE 2022

Ladies and gentlemen.

It's great to see you again. Some of you are watching us online today. And some of you are here with me in London, which is wonderful.

Last year, we presented our strategy called Powering Progress, and set out targets to accelerate the transition of our business towards a net-zero emissions business by 2050.

Today, I'm here to tell you about the strong progress we have made in a time of great uncertainty in the world, what this uncertainty means for this strategy, and what comes next.

Let me start with the uncertainty and what it means.

The world has changed a lot since last year. The war in Ukraine still shocks me every day, as I am sure it shocks you. I feel revulsion and sadness. It is so tough for our colleagues in Ukraine and the region.

But it is impressive to see how they are responding to an almost impossible situation. This is why, I also feel pride.



I'm proud of every colleague in Ukraine who continues to go to work to keep energy supplies flowing in a country that is dealing with a frightening conflict, and fuel shortages.

What impresses me most is how all these men and women are adapting to changing circumstances.

The war in Ukraine is one of the most significant reasons people are having to adapt. But in recent years, it has not been the only one.

Covid, the cost-of-living crisis, and climate change, to name just a few, have all forced people, countries and businesses to adapt as well.

This is also true for Shell as a whole. We have been adapting. In response to the war in Ukraine, we are working on our withdrawal from Russian hydrocarbons, including crude oil, petroleum products, gas and liquefied natural gas.

And we have been seeking ways to replace Russian supplies. For example, by adding new gas supply, like we are doing from our Colibri project in Trinidad & Tobago.

Part of this natural gas goes to LNG exports. LNG can help the current worldwide supply crisis. Because LNG can be shipped to parts of the



world where it is needed the most, including places that currently still depend to a large extent on Russian pipeline gas.

We were already the world's leading supplier of LNG before this crisis started. We can now use this position of strength to help countries replace supplies. For example, by delivering LNG to a terminal that's going to be built at the German port of Brunsbuettel.

As I just said, the world faces the ongoing and urgent challenge of climate change. With all the uncertainty and change going on in the world and the need to adapt, some may wonder whether Powering Progress, our strategy to transform Shell into a net-zero emissions energy business by 2050, is still the right one.

Can our strategy withstand fuel shortages, inflation and extremely volatile commodity prices? Can it cut emissions and continue to create shareholder value at the same time? Can it deal with a call for a secure supply of energy that is reliable, sustainable, and affordable?

I believe it can. Our strategy is still the right one. The reason is simple: Powering Progress was always meant to fundamentally change the company. It has adaptation at its core.

Because Powering Progress is designed to deliver results today, which is visible in our quarterly results on a quarter-by-quarter basis.



And Powering Progress is designed to continue delivering results, by seizing the opportunities in the energy transition.

It is designed to pursue value, take opportunities to grow, and become even more competitive and resilient as we move towards 2050.

This means we are focusing even more than we did on our customers. It means having our staff completing thousands of courses on skills that will be needed for the energy transition. And it means radically transforming the company's portfolio over the next decades.

Let me give you some examples of what all this adaptation means in practice.

To start, last year, we completed one of the most effective reorganisations in our history. We are now operating in a smarter, more focused way with fewer people.

We also simplified our share structure and moved Shell's headquarters from the Netherlands to the UK. These changes have given the company much more flexibility. Which will help us to deliver more value to our shareholders.



Our financial performance over the last few quarters has been consistently strong. This is our starting point. The company must create value for shareholders today.

But this cannot be the only metric used to judge our investment case.

Apart from creating shareholder value, we must also respect nature by recognising the growing urgency and

taking action to protect biodiversity, preserve water quality and use resources more efficiently.

And we must power lives, by supplying energy for those who need it most, and by being a diverse and inclusive organisation. In 2021, for example, 47% of all the graduates we hired were women. On our Board the percentage of women was 50%. Of all our employees and our senior leadership, around 30% were women. So we are making progress, but we still need to do better.

Another way to judge our investment case is by our readiness for the future. Because the world is changing, the energy sector is changing and, most importantly, the type of energy people use is changing.

More and more, customers want and need low and zero-carbon energy. And as more people use this energy, this is also where the



profits of the energy sector will be. So energy companies, just like everyone else in the world, will have to change.

To give you some examples of how our portfolio is changing.

We recently announced the acquisition of Spring Energy group, one of India's leading renewable power platforms. and won bids for offshore wind in Scotland that will produce enough renewable electricity to power every Scottish household twice over.

In fact, we now have about 50 gigawatts of renewable generation capacity in operation, under construction and in the funnel of potential projects.

We are also building a comprehensive network of charging points for electric cars. During the last year, we grew our worldwide network by about 50%.

In total, we are increasing our spend on low- and zero-carbon products and services, our opex and capex together, from around a third of our total spend today, to 50% by 2025.

This includes energy products and services such as biofuels and hydrogen, power, nature-based solutions, carbon capture and storage, it also includes convenience retail, and within that, charging for electric vehicles. The remainder is on our chemicals and lubricants businesses,



which do not produce energy products and do not create carbon emissions when used by our customers.

We're also making good progress towards our expected 1-2% a year reduction in oil production to 2030.

For some, of course, we are not moving away from hydrocarbons fast enough.

I believe Shell has the right pace to help the world through an orderly energy transition, with a secure supply of energy, that maintains supplies of oil and gas where they are needed and that will also get the company to net-zero emissions in time.

We have set climate targets that we firmly believe are aligned with the more ambitious goal of the Paris Agreement on climate change: to limit the increase in the average global temperature to 1.5°C above pre-industrial levels.

Last month, we published a report on how we are delivering on these targets.

To start, by the end of 2021, we reduced the absolute emissions from our operations and the energy we use to run them by 18%. This is compared to 2016 and on a net



basis. Our target is to achieve 50%, compared to 2016, by 2030.

Cutting these absolute emissions from our operations is important, but we have another target that is perhaps even more crucial. This is the target to bring down our carbon intensity.

By the end of last year, we had reduced the net carbon intensity of the energy products we sell by 2.5%, also compared with 2016. This means we have met our target to cut 2-3%.

2 to 3% may not sound like a lot, so I want to give you some context. Last year, the world economy experienced a very intensive recovery with a 6% growth in global GDP, a 6% increase in CO₂ emissions and no improvement in the world's carbon intensity.

So, the 2.5% reduction of our carbon intensity is indeed significant, and the reductions will quickly become much larger. We have set a target of 9-12% carbon intensity reduction by 2024. This milestone is tied to our executive pay.

And carbon intensity is not just crucial for us, it is also important for the world. I can illustrate this with a simple example.

Shell sells a lot of aviation fuel. Imagine we decided to stop selling this fuel. Imagine we decided to close our kerosene factories, stop supplying to our customers and leave this sector altogether.



That would bring down Shell's absolute emissions from our aviation fuel operations to zero. But would this also help the world to come closer to achieving net-zero emissions? Would fewer planes depart from airports? We don't believe so.

Because if Shell supplied less kerosene, it would not mean that people would fly less. Airlines would not buy less fuel. They would simply buy it from other fuel companies and total demand for fossil fuels would not change at all.

Now imagine a second, different scenario.

Shell continues to sell aviation fuel but more and more, the fuel we sell is sustainable and so we help our customers change the type of energy they use.

This is what we are doing. And I believe it is the best solution for both our shareholders and society.

Because together with our customers in aviation, we are working on changing energy demand we are working on ways to help increase the use of low-carbon fuels and decrease carbon emissions from this sector.



On the supply side, in Rotterdam in the Netherlands, we took a final investment decision last year to build an 820,000-tonnes-a-year biofuels facility. This will be among the largest in Europe producing sustainable aviation fuel and renewable diesel made from waste and certified sustainable vegetable oils.

This sustainable aviation fuel will not replace all the kerosene in the world in the next few years. But it will help the sector move away from kerosene. It will start to lower emissions from aviation as a whole and it will bring down the carbon intensity of the energy products Shell sells.

That is the difference between reducing the intensity of emissions by gradually improving the energy use of an entire sector or letting go of our customers in this sector altogether and leaving it for someone else to deal with.

It is the difference between walking away from a problem or stepping up to be part of the solution.

Shell wants to be part of the solution. We are stepping up. We are working with sectors that need help from energy companies with expertise and experience to find a path to net-zero emissions. And aviation is a good example of one of these sectors.



In the same way, we are working together with our customers in shipping, heavy-duty road transport, industry and the production of chemicals.

We are investing in technologies that help these sectors find their own paths to net-zero emissions, that include, beyond the biofuels I just mentioned, wind and solar power, hydrogen, carbon capture and storage and ways to offset emissions by planting trees and preserving nature.

In this way, apart from bringing down our own emissions, we also help our customers adapt.

That brings me back to our strategy, Powering Progress.

It was designed to withstand changing circumstances without losing sight of our targets and goals. Like I told you, it has adaptation at its core.

It factors in the different ways in which energy makes a difference. And in doing so, our strategy helps us to deliver a secure supply of reliable, sustainable, affordable energy to the world.

That's a tall order. And we will not shy away from it. But no company can do this in isolation.



We will continue to work with our customers, with governments, and with you, our shareholders.

We need your support.

Last year, when we set out Powering Progress for you and told you how we are planning to transform Shell into a net-zero emissions business both purposefully and profitably. Your support was overwhelming as shown in the vote at our Annual General Meeting.

This year, the AGM vote is about the progress we have made in the past 12 months.

I think we made impressive progress in the past 12 months. Again, to give some context, according to data from the International Energy

Agency, almost all activities in the global economy produced more carbon emissions last year compared to 2020.

Just try to think of a sector that succeeded in reducing emissions - Power generation did not, industry did not, transport did not. Emissions from these sectors all went up in 2021.



So, the progress in the energy transition made by companies with an integrated energy strategy, like we have are clearly ahead of what we see in most sectors using energy.

I am encouraged to see that some very large institutional investors and shareholders have started to recognise the importance of an integrated energy strategy too.

On that basis I ask our shareholders to support our Energy Transition Progress Report during our AGM.

And when I mention the AGM, I also need to say something about Follow This.

The Follow This resolution calls for targets that would conflict with the Shell strategy that so many of you agree with. In fact, this resolution could be harmful to that strategy.

The formal Notice of Meeting goes into this in great detail, so I'll give just a few examples here.

The Follow This resolution proposes targets that go much further than even the most progressive pathways to net zero in our sector, for example the pathways of the Intergovernmental Panel on Climate Change and the International Energy Agency.



What's more, these IPCC and IEA pathways include actions by all parts of society. Follow This suggests we should reach these targets on our own, which is unrealistic for Shell as a single company to achieve.

Most tellingly, the Follow This resolution focuses solely on changing the supply of energy. This approach would mean we would have to abandon our customers and shrink our business. This is fundamentally different to Shell's energy transition strategy... as you hopefully took from the example I gave about Shell's role in helping aviation reduce emissions.

We believe that a dramatic change in demand for energy is just as critical as the required changes to supply for the energy transition to take place. And this means working together with governments, society and crucially our customers.

So, in short, the Follow This resolution is unrealistic. It would not help reduce the world's carbon emissions and it is not in the best interests of you, our shareholders.

Since the Follow This resolution rejects and in fact opposes our strategy, voting in favour of Resolution 20 and voting in favour of Resolution 21 sends a conflicting signal. I am asking you to be clear about what you really want us as a company to do.



So, during the AGM, we ask you to vote in support of the progress we have made in the last 12 months and not to vote for a change in our strategy by pursuing misguided targets for our company as suggested by Follow This.

Because I believe we have made significant progress.

We are reinforcing Shell as an energy business that delivers a secure supply of energy in the places where it is needed most. We are changing into a business that will achieve net-zero emissions in line with the Paris Climate Agreement. And we are strengthening Shell as a business that generates value today, and in the future.

I hope we can again count on your support.

Thank you.



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