



SHELL PLC
ENERGY TRANSITION PROGRESS REPORT – SHAREHOLDER ENGAGEMENT

ED DANIELS, STRATEGY, SUSTAINABILITY, CORPORATE RELATIONS DIRECTOR

Ladies and Gentlemen, as we meet today, the war continues in Ukraine – and my heart goes out to everyone affected by the atrocities taking place. Shell is working hard to ensure the safety of our staff and contractors, to support relief efforts and take action when we need to do so.

We have announced our intention to withdraw from Russian oil and gas. At the same time, we are doing our utmost to keep retail sites operating in Ukraine, supplies moving and all our teams in the region secure.

As well as being a human tragedy, the war has led to rising energy prices and deep uncertainty about supplies. This disruption in global energy markets has shown that affordable, secure and reliable energy cannot be taken for granted. It must be protected and managed through international co-operation. This means business, governments and wider society working together. But if these are enormous challenges that we must all act on today, the world also faces the huge and longer-term challenge of climate change.

We must also take action on this today. For Shell, this means we are continuing to accelerate our strategy to become a net-zero emissions energy business by 2050. Our strategy focuses on supplying the energy the world needs right now, while we also help to build the energy system of the future. In a time of great uncertainty, it is vital that our long-term energy transition strategy remains on track. And as shareholders, we want your support for the progress we have made on this so far.

In February last year, we set out our strategy. In May last year, at the Annual General Meeting, we asked you to vote on the strategy and said we would update you yearly on our progress. Last week, we did just that when we published our first Energy Transition Progress Report, ready for your advisory vote next month ahead of the 2022 Annual General Meeting. This report sets out how far we have come over the past year.

During that time, COP26, the UN Climate Summit, took place in Glasgow and the UN's International Panel on Climate Change released its latest report. Both were stark reminders of the speed and scale at which the world has to act if it is to meet the goals of the UN Paris climate agreement. For our part, Shell has set climate targets that we believe are aligned with the more ambitious goal of the Paris agreement, which is to limit the increase in the average global temperature to 1.5°C above pre-industrial levels.

We have met our initial targets. By the end of 2021, we reduced absolute emissions from our operations and the energy we use to run them (Scopes 1 and 2) by 18%, compared to 2016 on a net basis. This means we are well on our way to achieving our target of 50%, by 2030, compared to 2016. We also achieved our net carbon intensity target... but I will talk more about that in a little while.



Overall, Shell is making significant changes. We have taken critical investment decisions in the production of low-carbon fuels, solar and wind power and hydrogen. At the beginning of this year, for example, we won a bid to develop 5 gigawatts of floating wind power in the UK with our partners. This is enough energy to power 6 million home, which is more than double the number of homes in Scotland. We have now 38GW of generation capacity from renewables to come from future projects.

We are transforming our portfolios in Upstream and refining. We have reshaped the organisation. And, with your overwhelming support, we have simplified the company and its share structure. We have also formed partnerships with some of the world's biggest businesses in sectors from aviation to road transport and technology. The changes we are making, and the targets we have met, show you how we are implementing our strategy.

And every year, we will build on what we have achieved. The momentum of change will increase. And Shell's transformation will grow more apparent. But, for this to happen at the speed and scale we want it to, we must match up our role as the supplier of energy, with the role of others as the consumers of energy. Supply and demand both have to change. Demand is fundamental. This is why we have made working with our customers an essential part of Shell's strategy.

We are helping customers to identify and adopt low- and zero-carbon alternatives to the energy products they have used for many decades. To give you a list this means: Renewable electricity and hydrogen to power homes, cars, trucks, businesses and industry; Advanced biofuels for cars, trucks and planes; LNG for power, trucks and ships; and for the emissions that cannot be avoided nor reduced, we will capture and store them or offset them through schemes to preserve nature and biodiversity. And, by 2050, we will no longer serve customers who have unmitigated carbon emissions. This is what we are doing as an energy supplier.

Earlier, I mentioned our absolute targets. These relate to Shell as an energy user. As an energy supplier, our targets relate to the intensity of emissions because although we can work to change our product mix, we cannot commit unilaterally to changing demand of our customers on absolute terms. Alone, we cannot make customers change the type of energy they use. That is the choice of customers and the role of governments to encourage them - with policies and mandates, incentives and taxes. Our role is to work with customers to make change possible. We have formed more than 50 collaborations with other companies at the forefront of making change. And by the end of 2021, we achieved our short-term target to reduce the net carbon intensity of the energy products we sell by 2-3%, compared with 2016.

We use our own methodology to measure this. The net carbon intensity refers to the grams of carbon dioxide emitted per unit of energy we sell. So, we are pressing ahead. Now, we are working towards a 9-12% reduction in net carbon intensity by 2024, compared with 2016. We are delivering on our agreed strategy, meeting our targets and being transparent as we do so. My final example is a very practical one. It involves pay. We have linked pay to our progress on our strategy and last year, we included a measure of our progress in the energy transition when calculating the bonuses of almost all Shell's employees. This year, we decided to widen this specifically to factor in selling lower-carbon products and working with our customers to cut emissions. We are making



progress – and that is not only felt by our customers and suppliers and partners, but in a very real way across Shell.

Last year, we achieved 89% support for our Energy Transition strategy from our shareholders, at the AGM. We want to increase the support from shareholders when they vote on the progress, we have made in the past 12 months.

In 2021, our cash capital spend was \$20 billion and our operating spend was \$36 billion - that is \$56 billion in total. In 2025, we expect around 50% of our total spend - so 50% of our opex and capex together - to be on low- and zero-carbon products and services... across all our businesses. 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.

So that is half of our spend on low- and zero-carbon products and services by 2025. But how are we doing today? Well, for 2022 they are expected to represent a third of our spend.

So let me pull all this together. Our strong financial performance in 2021, is what helps to power the transformation of Shell today. We are making progress on our strategy. We are playing our part in supplying the secure energy the world needs. And we are investing in the energy system of the future.

Thank you.

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FORWARD-LOOKING STATEMENTS

This speech contains forward-looking statements (within the meaning of the U.S. Private Securities Litigation Reform Act of 1995) concerning the financial condition, results of operations and businesses of Shell. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Shell to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. These forward-looking statements are identified by their use of terms and phrases such as "aim", "ambition", "anticipate", "believe", "could", "estimate", "expect", "goals", "intend", "may", "milestones", "objectives", "outlook", "plan", "probably", "project", "risks", "schedule", "seek", "should", "target", "will" and similar terms and phrases. There are a number of factors that could affect the future operations of Shell and could cause those results to differ materially from those expressed in the forward-looking statements included in this speech, including (without limitation): (a) price fluctuations in crude oil and natural gas; (b) changes in demand for Shell's products; (c) currency



fluctuations; (d) drilling and production results; (e) reserves estimates; (f) loss of market share and industry competition; (g) environmental and physical risks; (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; (i) the risk of doing business in developing countries and countries subject to international sanctions; (j) legislative, judicial, fiscal and regulatory developments including regulatory measures addressing climate change; (k) economic and financial market conditions in various countries and regions; (l) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, delays or advancements in the approval of projects and delays in the reimbursement for shared costs; (m) risks associated with the impact of pandemics, such as the COVID-19 (coronavirus) outbreak; and (n) changes in trading conditions. No assurance is provided that future dividend payments will match or exceed previous dividend payments. The contents of websites referred to in this speech do not form part of this speech. All forward-looking statements contained in this speech are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements. Additional risk factors that may affect future results are contained in Shell plc's Form 20-F for the year ended December 31, 2021 (available at www.shell.com/investor and www.sec.gov). These risk factors also expressly qualify all forward-looking statements contained in this speech and should be considered by the reader. Each forward-looking statement speaks only as of the date of this speech, April 26, 2022. Neither Shell plc nor any of its subsidiaries undertake any obligation to publicly update or revise any forward looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this speech.

SHELL'S NET CARBON FOOTPRINT

Also, in this speech we may refer to Shell's "Net Carbon Footprint" or "Net Carbon Intensity", which include Shell's carbon emissions from the production of our energy products, our suppliers' carbon emissions in supplying energy for that production and our customers' carbon emissions associated with their use of the energy products we sell. Shell only controls its own emissions. The use of the term Shell's "Net Carbon Footprint" or "Net Carbon Intensity" are for convenience only and not intended to suggest these emissions are those of Shell plc or its subsidiaries.

SHELL'S NET-ZERO EMISSIONS TARGET

Shell's operating plan, outlook and budgets are forecasted for a ten-year period and are updated every year. They reflect the current economic environment and what we can reasonably expect to see over the next ten years. Accordingly, they reflect our Scope 1, Scope 2 and Net Carbon Footprint (NCF) targets over the next ten years. However, Shell's operating plans cannot reflect our 2050 net-zero emissions target and 2035 NCF target, as these targets are currently outside our planning period. In the future, as society moves towards net-zero emissions, we expect Shell's operating plans to reflect this movement. However, if society is not net zero in 2050, as of today, there would be significant risk that Shell may not meet this target.

FORWARD LOOKING NON-GAAP MEASURES

This speech may contain certain forward-looking non-GAAP measures such as cash capital expenditure and divestments. We are unable to provide a reconciliation of these forward-looking Non-GAAP measures to the most comparable GAAP financial measures because certain information needed to reconcile those Non-GAAP measures to the most comparable GAAP financial measures is dependent on future events some of which are outside the control of Shell, such as oil and gas prices, interest rates and exchange rates. Moreover, estimating such GAAP measures with the required precision necessary to provide a meaningful reconciliation is extremely difficult and could not be accomplished without unreasonable effort. Non-GAAP measures in respect of future periods which cannot be reconciled to the most comparable GAAP financial measure are calculated in a manner which is consistent with the accounting policies applied in Shell plc's consolidated financial statements. Investors are urged to consider closely the disclosure in our Form 20-F, File No 1-32575, available on the SEC website www.sec.gov.

ADDITIONAL INFORMATION

As used in this speech, "Accountable" is intended to mean: required or expected to justify actions or decisions. The Accountable person does not necessarily implement the action or decision (implementation is usually carried out by the person who is Responsible) but must organise the implementation and verify that the action has been carried out as required. This includes obtaining requisite assurance from Shell companies that the framework is operating effectively. "Responsible" is intended to mean: required or expected to implement actions or decisions. Each Shell company and Shell-operated venture is responsible for its operational performance and compliance with the Shell General Business Principles, Code of Conduct, Statement on Risk Management and Risk Manual, and Standards and Manuals. This includes responsibility for the operationalisation and implementation of Shell Group strategies and policies. CO2 compensation does not imply that there is no environmental impact from the production and use of the product as associated emissions remain in the atmosphere. CO2 compensation is not a substitute for switching to lower emission energy solutions or reducing the use of fossil fuels. Shell businesses focus first on emissions that can be avoided or reduced and only then, compensate the remaining emissions. "Carbon neutral" or "CO2 compensated" indicates that Shell will engage in a transaction where an amount of CO2 equivalent to the value of the remaining CO2e emissions associated with the raw material extraction, transport, production, distribution and usage /end-of-life (if Lubricants or other non-energy product) of the product are compensated through the purchase and retirement of carbon credits generated from CO2 compensation projects. Although these carbon credits have been generated in accordance with international carbon standards, the compensation may not be exact. CO2e (CO2 equivalent) refers to CO2, CH4, N2O