



We are transforming several of our refineries into energy and chemicals parks.

SUSTAINABILITY AT SHELL

Welcome to the Shell Sustainability Report, which covers our social, safety and environmental performance in 2021. It also sets out our strategy to accelerate the transition of our business to net-zero emissions.

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LETTER FROM THE CEO



Ben van Beurden, Chief Executive Officer

Early 2022 has brought new uncertainties and challenges, and, like so many others, I am horrified by the war in Ukraine. I feel deeply for those suffering no matter where they are. All of us at Shell are concerned about our staff and contractors affected by the conflict and we are doing everything we can to help them. Shell is helping in the relief effort and working with governments to find ways to secure energy supplies for Europe and other markets.

We also took decisive actions in support of global economic measures against Russia and you can read about them in the [media release](#).

As the world faces these new challenges, and even as the COVID-19 pandemic continues, it must not lose sight of the importance of taking action on climate change.

Our Powering Progress strategy, which we launched in 2021, sets out how Shell can play a leading role in helping the world to reduce its carbon emissions. At the heart of our strategy lies our own target to become a net-zero emissions energy business by 2050, in step with society's progress in achieving the Paris climate goals.

In this, our 25th Sustainability Report, we share how we are working towards our Powering Progress goals.

SAFETY IS ESSENTIAL

One critical area in which we simply must do better is safety, which is essential to our strategy. We have made progress on improving the safety of our operations since the early 2000s.

We have not been able to eliminate all fatal incidents involving Shell employees and contractors. The number of safety incidents increased in 2021. I am saddened by the deaths of eight of our contractor colleagues in Pakistan, Indonesia and Nigeria, and the death of a government security agent in Nigeria. We must strive continuously to improve our efforts to keep people safe.



ACCELERATING TOWARDS NET ZERO

In 2021, we took an important step towards becoming a net-zero emissions business with a new target to reduce our absolute emissions from our operations (Scope 1 and Scope 2) by 50% by 2030, compared with 2016 levels on a net basis. By the end of 2021, Shell had reduced Scope 1 and 2 emissions from our operations, and from the energy we buy to run our operations, by 18% from 83 million tonnes in 2016 to 68 million tonnes.

We also achieved our first short-term target of a 2-3% reduction in net carbon intensity (NCI) by the end of 2021. Shell's NCI in 2021 was 77 gCO₂e/MJ which was a 2.5% reduction from the 2016 reference year.

We are also working with our customers and across sectors to help them find their own pathways to achieve net-zero emissions. This will help grow demand for new low-carbon products.

But Powering Progress goes beyond achieving our net-zero targets. In 2021, we started incorporating new ambitions within our business to respect the environment and to power people's lives.

We also continued to support the UN Global Compact's corporate governance principles on human rights, environmental protection, anti-corruption and better labour practices.

RESPECTING NATURE

In this report, we have set out our commitments on biodiversity, water, and on helping to create a circular economy and reduce waste.

It is also of the utmost importance that we continue to work to prevent oil spills. In 2021, we reduced the number of operational spills of more than 100 kilograms by 40%, compared with 2020. However, in Nigeria, spills caused by oil theft and sabotage of pipelines continued amid heightened security risks. We are dealing with these challenges and the impact they have on the environment, on local communities and on our business.

CONTRIBUTING TO COUNTRIES AND COMMUNITIES

We are working with our suppliers to find ways to reduce greenhouse gas emissions across our supply chains. In 2021, we rolled out a new digital platform which enables our suppliers to track performance on emissions reduction, share best practice and exchange emissions data with their own supply chains.

The supply of affordable, reliable and sustainable energy is crucial for raising living standards and for addressing other global challenges, including inequality. In 2021, we continued to develop social investment programmes to improve access to energy in Ethiopia, Mozambique, Pakistan and South Africa.

In closing, I would like to thank the members of the independent Report Review Panel, who help us provide balanced and relevant reporting. We have made the report more concise this year to make it easier for readers to understand our performance. Each section guides you to our shell.com global website, where updates will keep you informed about our sustainability performance throughout the year. This report sits with the Annual Report and the Energy Transition Report, which also provide information on our sustainability performance.

Sustainability is always a work in progress. Shell has goals to lower our carbon emissions, respect nature and contribute positively to people's lives. This report shows what we have achieved – and where we need to do better.

Ben van Beurden

Chief Executive Officer

 **More in this report** Sustainability at Shell | Climate change and the energy transition | Our approach to respecting nature | Providing access to energy

 **More on Shell websites** Our strategy: Powering Progress

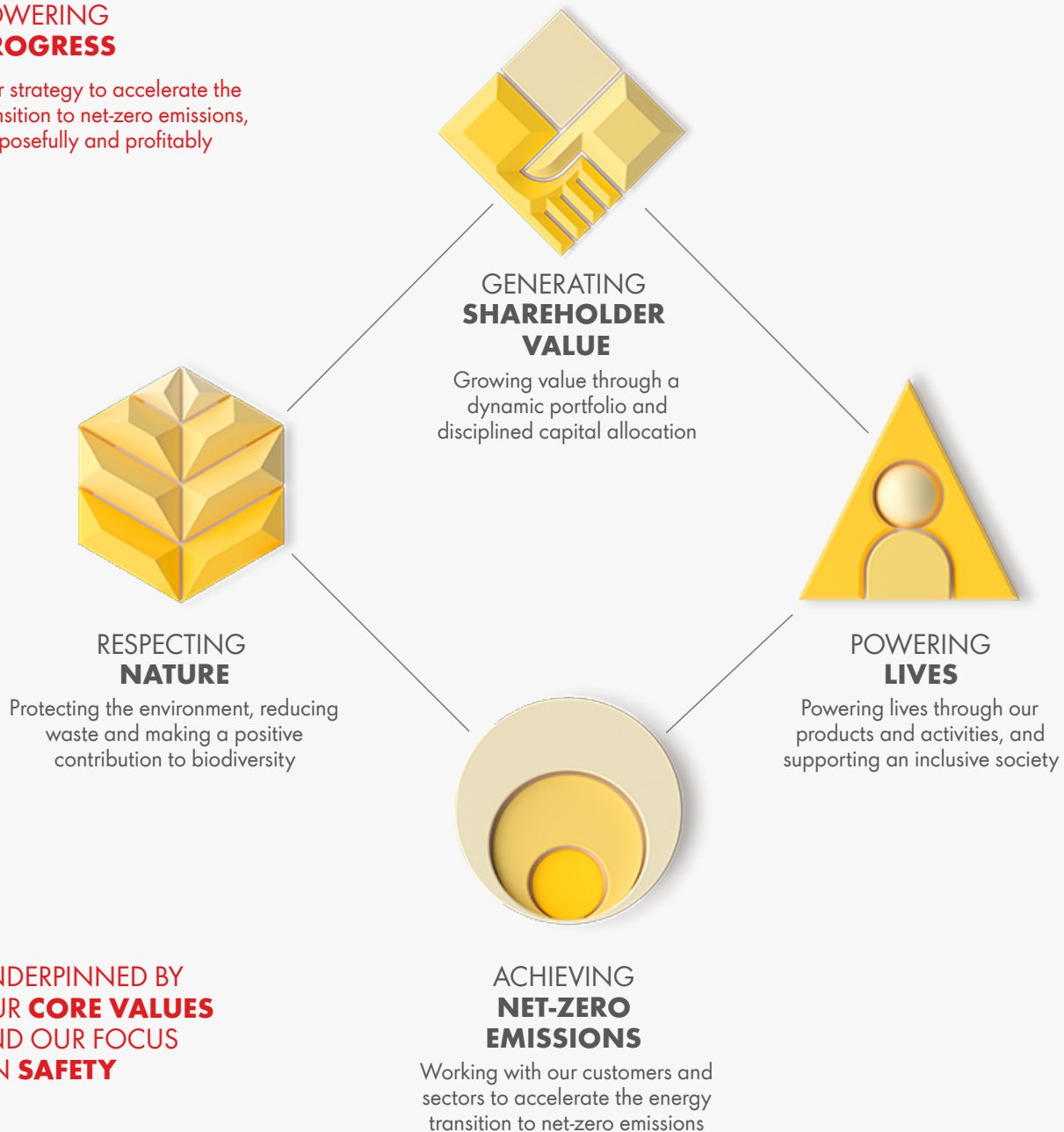


POWERING PROGRESS

OUR STRATEGY

POWERING PROGRESS

Our strategy to accelerate the transition to net-zero emissions, purposefully and profitably



UNDERPINNED BY
OUR **CORE VALUES**
AND OUR FOCUS
ON **SAFETY**

More in this report Letter from the CEO | Sustainability at Shell | Sustainability governance | Performance overview

More on Shell websites Our strategy: Powering Progress



OUR APPROACH TO SUSTAINABILITY

SUSTAINABILITY AT SHELL

Powering Progress is our strategy to accelerate the transition of our business to net-zero emissions, in step with society, purposefully and profitably. It is designed to create value for our shareholders, customers and wider society, and integrates our long-standing commitment to contribute to sustainable development with our business strategy.

We aim to provide more and cleaner energy solutions in a responsible manner – in a way that balances short- and long-term interests, and that integrates our economic, environmental and social commitments and targets.

Powering Progress, launched in 2021, has four main goals in support of our purpose – to power progress together by providing more and cleaner energy solutions:

- Generating shareholder value: growing value through a dynamic portfolio and disciplined capital allocation;
- Achieving net-zero emissions in step with society: working with our customers and across sectors to accelerate the transition to net-zero emissions;
- Powering lives: powering lives through our products and activities, and by supporting an inclusive society; and
- Respecting nature: protecting the environment, reducing waste and making a positive contribution to biodiversity.

Powering Progress is underpinned by our core values of honesty, integrity and respect for people and our focus on safety.

Read more about what sustainability means at Shell at www.shell.com/sustainability/our-approach/sustainability-at-shell and more about our strategy at www.shell.com/powering-progress.

UN Sustainable Development Goals

We will play our part in helping governments and societies achieve the UN's 17 Sustainable Development Goals (SDGs). The goals were one of the considerations in the development of our Powering Progress strategy. The actions we take as part of our Powering Progress strategy can help directly contribute to 13 of the SDGs, while indirectly contributing to others.

Information on how we are contributing to these SDGs can be found throughout this report and at www.shell.com/sdgs.

More in this report [Climate change and the energy transition](#) | [Our Powering Progress targets](#) | [Sustainability governance](#) | [Performance overview](#)

More on Shell websites [Our strategy: Powering Progress](#) | [What sustainability means at Shell](#) | [Commitments, policies and standards](#) | [UN Sustainable Development Goals](#)

SUSTAINABILITY GOVERNANCE

We have clear and effective governance structures throughout Shell, along with performance standards and other controls. These include the Shell General Business Principles, our Code of Conduct, and our Health, Safety, Security, Environment and Social Performance (HSSE & SP) Control Framework. They influence the decisions made and actions taken across Shell.

The Safety, Environment and Sustainability Committee (SESCo) is one of four standing committees of the Board of Directors of Shell plc. The overall role of SESCo is to review the practices and performance of Shell, primarily with respect to safety, environment including climate change, and sustainability.

In February 2022, Shell announced the new role of Strategy, Sustainability and Corporate Relations Director. The new director is a member of Shell's Executive Committee.

Read more about SESCo and how Shell manages sustainability at www.shell.com/sustainability/our-approach/governance and in our [Annual Report](#).

More in this report [Climate change and the energy transition](#) | [Our approach to safety](#) | [Energy transition](#) | [Our approach to respecting nature](#)

More on Shell websites [Our strategy: Powering Progress](#) | [Board of Directors](#) | [Sustainability Governance](#)



PERFORMANCE OVERVIEW

PERFORMANCE IN 2021

**6.9**

serious injuries and fatalities per 100 million working hours, compared with 6.0 in 2020. See [Our approach to safety](#)

**77 gCO₂e/MJ**

net carbon intensity, which measures the life-cycle emissions intensity of the portfolio of energy products sold. See [Delivering our climate targets](#)

**18%**

reduction in our total combined Scope 1 and 2 absolute greenhouse gas emissions compared with 2016, the base year. ^[A] See [Delivering our climate targets](#)

**102**

operational process safety Tier 1 and 2 events, compared with 103 in 2020. See [Process safety](#)

**9.1 billion**

litres of biofuels went into Shell's petrol and diesel worldwide ^[B]. See [Biofuels](#)

**87,000**

public and private electric vehicle charge points operated by Shell. See [Electric vehicle charging](#)

**2,444**

enhanced screenings for higher-risk contracts, to check for potential legal or regulatory integrity-related red flags. See [Ethical leadership](#)

**40%**

decrease in the number of operational spills of more than 100 kilograms. There were 41 in 2021 compared with 70 in 2020. See [Spills](#)

**18%**

increase in flaring. Overall flaring increased to 4.5 million tonnes of carbon dioxide equivalent (CO₂e) compared with 3.8 million tonnes in 2020. See [Flaring](#)

**\$37.5 billion**

spent on goods and services from around 24,000 suppliers globally. See [Supply chain](#)

**29.5%**

women in senior leadership positions. See [Diversity, equity and inclusion](#)

**\$94 million**

spent on voluntary social investment. See [Social investment](#)

**\$4.2 billion**

spent in countries where gross domestic product is less than \$15,000 a year per person. ^[C] See [Local content](#)

**271,000**

formal training days for employees and joint venture partners. See [Diversity, equity and inclusion](#)

**60,000**

students participated in NXplorers, our flagship STEM programme. See [STEM education](#)

[A] From assets and activities under our operational control.

[B] Including 3.2 billion litres through our joint venture Raizen on an equity basis.

[C] According to the UN Development Programme's Human Development Index 2019.



REMUNERATION

POWERING PROGRESS

In 2021, we linked the pay of more than 16,500 staff to our target to reduce the carbon intensity of our energy products by 6-8% by 2023, compared with 2016.

Driving action through remuneration

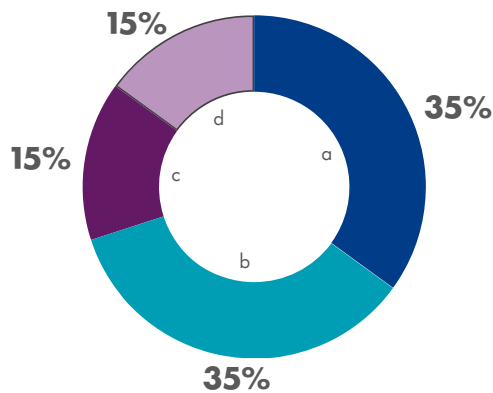
Progress in the energy transition key performance indicators was considered as part of the 2021 annual bonus scorecard (15% weighting) applying to almost all of Shell's employees, as well as the 2021 Performance Share Plan awards (10% weighting) for around 16,500 employees and the 2021 Long-term Incentive Plan awards (20% weighting) for senior executives. The 2021 annual bonus scorecard also included a 15% weighting based on safety performance.

From 2022, we will widen the scope of the progress in the energy transition measure on the annual bonus scorecard, to be based on three key themes: selling lower-carbon products, reducing our emissions and partnering to decarbonise. To emphasise the importance of becoming increasingly customer-led, we will also introduce a new customer excellence measure under operational excellence. In the 2022 Long-term Incentive Plan, we have further refined the energy transition performance condition to avoid duplication of the measures incorporated into the scorecard.

Read more about remuneration in the 2021 [Annual Report](#).

ANNUAL BONUS SCORECARD ARCHITECTURE 2022

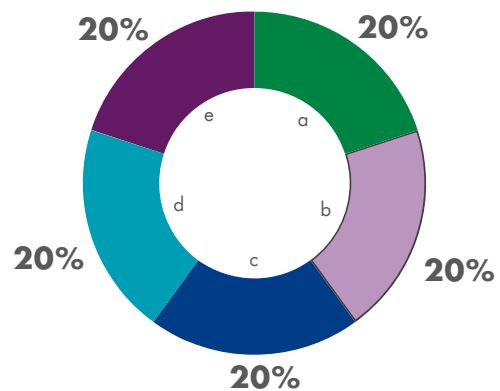
percentage



- a ■ **Cash flow from operations**
- b ■ **Operational excellence**
(Asset management excellence 15%, project delivery excellence 10%, customer excellence 10%)
- c ■ **Progress in the energy transition**
(Selling no/low-carbon products 5%, operational emissions reduction 5%, partnering to decarbonise 5%)
- d ■ **Safety**
(SIF-F 7.5%, Tier 1 and 2 process safety 7.5%)

LONG-TERM INCENTIVE PLAN PERFORMANCE CONDITIONS

percentage



- a ■ Total shareholder return
- b ■ Return on average capital employed
- c ■ Cash flow from operations
- d ■ Free cash flow
- e ■ Energy transition

More in this report Climate change and the energy transition | Energy transition | Delivering our climate targets

More on Shell websites Our strategy: Powering Progress | Leadership | Corporate governance



ABOUT THIS REPORT

SELECTING THE TOPICS

The 2021 Sustainability Report, published on April 5, 2022, is our 25th such report. It details our social, safety and environmental performance in 2021.

Each year we use a structured process to select the report's content. We engage with various groups and individuals to understand specific concerns about our business and its impact, particularly relating to the environment and society. We consider the views of others such as non-governmental organisations, customers, the media, academics, investors and employees.

Input from our Report Review Panel of independent experts helps to ensure that coverage is balanced, relevant and complete.

Read more about our topic selection process at www.shell.com/sustainability/transparency-and-sustainability-reporting/sustainability-reports.

Reporting guidelines

We report in line with guidelines developed by IPECA, the global oil and gas industry association for advancing environmental and social performance. This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option (see GRI index for full details). It is also the document we use to communicate our progress in supporting the principles of the UN Global Compact.

As a member of the World Business Council for Sustainable Development, we support the organisation's updated criteria for membership from 2022, which includes requirements for corporate transparency.

The recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) help to guide and inform our reporting in our Annual Report.

In January 2021, we agreed to adopt the Stakeholder Capitalism Metrics, a set of environmental, social and governance metrics released by the World Economic Forum and its International Business Council.

More detailed information about how we report is available at www.shell.com/sustainability/sustainability-reporting-and-performance-data/voluntary-reporting-standards-and-esg-ratings.

 **More in this report** Sustainability at Shell | About our data | Our standards and policies | GRI table

 **More on Shell websites** Our strategy: Powering Progress | Voluntary reporting standards and ESG ratings

REPORT REVIEW PANEL

We use an external review panel to strengthen our sustainability reporting. The panel helps evaluate and improve the quality and credibility of our Sustainability Report. The 2021 Report Review Panel comprised five sustainability and corporate reporting experts:

- Mandy Kirby, UK. Chief Strategist and Co-founder, City Hive (Chair of the Report Review Panel)
- Hilary Parsons, UK. Formerly Head of Creating Shared Value Engagement, Nestlé
- Vanessa Zimmerman, Australia. Chief Executive Officer, Pillar Two
- Renard Siew, Malaysia. Adviser on Climate Change, Centre of Governance and Political Studies
- Elizabeth White, USA. Strategist and Global Head Environment and Social Sustainability, Sector Economics and Impact, IFC World Bank Group.

The panel provided input into our topic selection process. Panel members reviewed the report, discussed Shell's reporting and spoke to relevant Shell employees before preparing their statement. The panel's mandate focused on the quality of Shell's reporting, including credibility, completeness and responsiveness. The panel is not accountable for reviewing the data in the report or material on shell.com outside the bounds of this report. Panel members are offered an honorarium for their input.

Find out more about the panel at www.shell.com/sustainability-report-review-panel.



Report Review Panel recommendations

The panel has had the opportunity to review two drafts of the 2021 Sustainability Report and provided both written and verbal feedback to Shell. During this process, Shell has considered our feedback in relation to the quality of sustainability reporting, particularly regarding content and presentation of information.

The panel notes that while the report is situated within the wider shell.com suite of information, the panel has not reviewed content on the website, nor is this part of its remit.

The panel notes that Shell has undertaken significant changes to its approach in the Sustainability Report that reflect a shift in how different stakeholders access information. We welcome the clear movement towards the inclusion of more sustainability-related data within the Annual Report as a signal that it is business-critical and strategic information. We also note that the Sustainability Report has been designed to support stakeholders who wish to access sustainability data. More qualitative content and relevant information material to the organisation, which was previously included in the report, now sits on the main website.

While understanding the evolution of reporting, we note the importance of ensuring that readers who wish to engage further on a topic are directed to the website to find up-to-date and relevant information.

We encourage Shell to think particularly about providing context to sections in which data are presented. Such context would help readers interpret the quantitative information in the report. In addition, we suggest paying special attention to the presentation of visual, tabular and graphic information. These are all useful instruments to convey complex information as long as they are accessible to lay readers, for example by providing relevant comparative elements, benchmarks and signposts to significant data points.

There are areas of disclosure that we welcome particularly, including continued efforts on tax transparency, supplier conduct and compliance, as well as confirming where activities such as Arctic Circle activity will not take place, as well as where they could.

Language in some areas has become more precise and aligned to relevant international standards and external expectations. For example, Shell now uses the term net carbon intensity in relation to measuring progress against net-zero emissions targets.

Looking ahead to the 2022 report, the panel would encourage Shell to:

- Provide clear context for data that are presented;
- Sufficiently explain how Shell plans to reach its targets;
- Depict progress against targets over time;
- Strengthen the human rights section with more explicit information about engaging with suppliers and other business partners, including joint-venture partners, to explain how human rights impacts throughout the value chain are being addressed in line with core international standards;
- Clearly explain what topics are material for Shell;
- Provide data assurance for sustainability topics beyond climate;
- Draw more connections between different ESG issues [including climate and human rights]; and
- Present more reflections on challenges that may have occurred during the year including steps it is taking to respond to litigation, advocacy campaigns or other incidents as appropriate and taking into account external stakeholders' expectations.

 **More in this report** [Sustainability at Shell](#) | [About our data](#) | [Our standards and policies](#) | [GRI table](#)

 **More on Shell websites** [Our strategy: Powering Progress](#) | [Voluntary reporting standards and ESG ratings](#)