

Sustainability at Shell

Welcome to the Shell Sustainability Report, which covers our social, safety and environmental performance in 2023.

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Letter from the CEO



Wael Sawan
Chief Executive
Officer

In 2023, we made good progress in our goal of creating more value with less emissions.

We achieved our second-best financial results ever, while reducing our carbon emissions on the path towards becoming a net-zero emissions energy business by 2050. By year's end, we had achieved more than 60% of our target of halving carbon emissions in our own operations by 2030, compared with 2016. We also met our short-term target to reduce the net carbon intensity of the energy products we sell, with a 6.3% reduction against our target of 6–8% compared with 2016.

We work hard to minimise risk throughout our operations. I am deeply saddened that four of our contractor colleagues in Shell-operated ventures died in 2023: one in Malaysia, one in the Philippines and two in an attack on a convoy in Nigeria. Four government security agents also lost their lives in the attack. A fifth contractor colleague, who was injured in a fire in Nigeria in 2023, passed away in February 2024. We are determined to learn from these incidents and take steps to prevent something similar from happening again.

Delivering oil and gas with less emissions

As we continue to deliver the oil and gas that the global energy system relies on, we are reducing the carbon emitted in its production.

We expect liquefied natural gas (LNG) will play a critical role in the energy transition. LNG produces fewer greenhouse gas emissions than coal when used to generate electricity and fewer emissions than petrol or diesel when used as transport fuel. It also offers flexibility to electricity grids as wind and solar power grow.

In 2023, we helped two additional countries reduce their reliance on coal-fired power generation by delivering the first cargoes of LNG to new import terminals in the Philippines and Vietnam.

We are also working to reduce the emissions intensity of our LNG projects. LNG Canada (Shell interest 40%, non-operated), which is expected to start production later this decade, is designed to have the lowest carbon intensity of any large liquefaction facility currently operating anywhere in the world – about 60% lower than the average facility today and 35% lower than the best-performing facility.

Reducing emissions of methane is one of the most effective near-term actions to keep the goal of the Paris Agreement within reach. We aim to keep methane emissions below 0.2% at Shell-operated oil and gas assets each year, and I am pleased to say we achieved this again in 2023. Our target is to achieve near-zero methane emissions by the end of this decade.

Despite the progress we have made, there is much work still to be done and lessons to be learned, whether from safety incidents or in how to develop new projects that minimise our impact on the environment.

Our latest offshore oil and gas facility in the US Gulf of Mexico, Vito (Shell interest 63.1%), is a compelling example of how we work to embed sustainability and emissions reduction into the life cycle of our projects, from design to decommissioning. Vito, which started production in 2023, is one-third of the size of its original design. It is expected to reduce CO₂ emissions by about 80% over its operating life. We are now repeating the same concept in other new offshore projects.

Investing in the energy transition

We are also investing in low-carbon and non-energy products that reduce emissions for our customers.

In 2023, we invested \$5.6 billion in low-carbon energy solutions, including biofuels, hydrogen, charging for electric vehicles and renewable power generation; and \$2.3 billion on non-energy products such as chemicals, lubricants and convenience retail, which do not produce emissions when our customers use them. This amounted to around one-third of our total capital spending in 2023.

We also invested 49% of our research and development budget in 2023 on decarbonisation projects. These include testing a new solid sorbent technology to remove CO₂ emissions from the air, and an electrolyser to produce hydrogen from renewable energy at higher efficiency and lower cost than is currently possible.

Respecting nature

Along with generating shareholder value and achieving net-zero emissions, our Powering Progress strategy is about powering lives and respecting nature.

We have already achieved some of the commitments made under our respecting nature goal, which we set in 2021. These include reducing fresh-water consumption by 15% compared with 2018 in areas where water supplies are stressed, which we reached ahead of the target date of 2025.

We are working hard to help develop a viable circular economy for plastics, despite a global lack of feedstock made from plastic waste, slow technology development and regulatory uncertainty. In 2023, we signed several strategic co-operation agreements with partners to increase supplies of feedstock and enable its long-term storage.

We also continued to remove single-use plastics like cups and cutlery from our Shell-owned service stations and to find new ways to reduce, recycle or reuse plastics in our packaging for lubricants and car-care products.

Powering lives

Energy is essential to human life. Yet too many people in the world have no or, at best, unreliable access to electricity. Even more lack clean cooking facilities. For many years, we have worked to bring reliable and affordable electricity and improved cooking conditions to those who do not have them. We invest in businesses that supply energy access in emerging markets and we provide funds and expertise to social investment programmes.

Shell has pledged \$200 million as part of a broader initiative to help people in sub-Saharan Africa, India and South-east Asia get access to energy in the near and medium term.

We are making progress in our ambition to become one of the most diverse and inclusive organisations in the world. For instance, in 2023, 32% of our senior leadership positions were held by women, which is close to our target of 35% by 2025. As of January 1, 2024, for the first time in our history we have more women than men on our Executive Committee.

We continue to support the UN Global Compact's corporate governance principles on human rights, environmental protection, anti-corruption and better labour practices. We respect human rights in our business and work hard to ensure that our joint-venture partners and supply chains do the same.

We recognise the importance of a just transition to a net-zero emissions energy system in which the costs and benefits are distributed fairly. In the UK, for example, we are supporting three Energy Transition Skills Hubs that plan to help 15,000 people into jobs with a focus on the energy transition by 2035.

This is our 27th Shell Sustainability Report, a voluntary publication we have issued each year since 1997. As of 2024, our sustainability reporting will be integrated with the Shell Annual Report and Accounts. I welcome this step, which brings all our reporting into one document. We will continue to be transparent in our reporting and demonstrate that sustainability is embedded in our way of doing business.

Wael Sawan

Chief Executive Officer

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Powering Progress



Our Purpose

To power progress together by providing more and cleaner energy solutions

Respecting Nature

Protecting the environment, reducing waste and making a positive contribution to biodiversity



Powering Progress

Generating Shareholder Value

Growing value through a dynamic portfolio and disciplined capital allocation



Powering Lives

Powering lives through our products and activities, and supporting an inclusive society



Achieving Net-Zero Emissions

Working with our customers and sectors to accelerate the energy transition to net-zero emissions



Underpinned by our **core values** of honesty, integrity, respect for people, and our focus on **safety**

More in this report [Letter from the CEO](#) | [Sustainability at Shell](#) | [Sustainability governance](#) | [Performance overview](#)

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Our approach to sustainability

Sustainability at Shell

Powering Progress sets out our strategy to become a net-zero emissions energy business by 2050, generating value for our shareholders, our customers and wider society. As we move forward on this journey, we will power lives and respect nature while holding fast to our core values of honesty, integrity and respect for people.

It is a strategy that integrates sustainability with creating more value with less emissions through performance, discipline and simplification.

Our commitment to contribute to sustainable development has been part of the [Shell General Business Principles](#) since 1997. These principles, together with the [Shell Code of Conduct](#), apply to the way we do business and to our conduct with the communities where we operate. We have worked to embed this sustainability commitment into our strategy, our business processes and our decision-making.

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

UN Sustainable Development Goals

We strive to 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. We believe the actions we take as part of our 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** [Our journey to net zero](#) | [Our Powering Progress targets](#) | [Sustainability governance](#) | [Performance overview](#) | [Respecting human rights](#)
 **More on Shell websites** [Our approach](#) | [Commitments, policies and standards](#) | [UN Sustainable Development Goals](#) | [Shell's approach to human rights \(pdf\)](#)

Sustainability governance

We have comprehensive 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 [A]. They influence the decisions made and actions taken across Shell.

[A] We are transitioning from the HSSE & SP Control Framework to our new Safety, Environment and Asset Management (SEAM) Standards as part of the [Shell Performance Framework](#). The SEAM Standards will come into effect in mid-2024.



The Sustainability Committee (SUSCO), previously known as the Safety, Environment and Sustainability Committee, is one of the four standing committees of the Board of Directors of Shell plc. SUSCO assists the Board of Directors in fulfilling its responsibilities by reviewing the progress of Shell with respect to sustainability and the non-financial elements of Shell's Powering Progress strategy.

The Committee meets regularly to review and discuss a wide range of topics, including progress on Shell's Powering Progress goals of net-zero emissions, respecting nature, and powering lives. The Committee also reviews wider matters of public concern such as biodiversity, plastic waste and methane emissions.

In 2023, the Committee visited Shell's Energy and Chemicals Park Rheinland in Germany to review energy transition projects and safety and to meet staff and a senior government representative. Two Committee members also visited the Olympus offshore platform in the US Gulf of Mexico to review safety and sustainability performance.

The Board of Directors has primary oversight of the delivery of Shell's energy transition strategy and is supported by SUSCO, the Audit and Risk Committee (ARC) and the Remuneration Committee (REMCO).

Read more about SUSCO and how Shell manages sustainability at www.shell.com/sustainability/our-approach/governance and in our [2023 Annual Report and Accounts](#) (Annual Report).

 **More in this report** [Our journey to net zero](#) | [Our approach to safety](#) | [Energy transition](#) | [Our approach to respecting nature](#)
 **More on Shell websites** [Our approach](#) | [Board of Directors](#) | [Sustainability governance](#)

Performance overview

Performance in 2023

	2.6 2022: 2.0 serious injuries and fatalities per 100 million working hours. See Our approach to safety		74 gCO₂e/MJ 2022: 76 gCO ₂ e/MJ net carbon intensity, which measures the life-cycle emissions intensity of the portfolio of energy products sold. See Delivering our climate targets		31% 2022: 30% 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
	63 2022: 66 operational process safety Tier 1 and 2 events. See Process safety		9.7 billion 2022: 9.5 billion litres of biofuels went into Shell's petrol and diesel worldwide [B]. See Biofuels		54,000 2022: 27,000 public electric vehicle charge points operated by Shell. See Electric vehicle charging
	2,134 2022: 1,790 reports to the Shell Global Helpline, where people can report potential breaches of the Code of Conduct. See Ethical leadership		70 2022: 55 operational spills of more than 100 kilograms. See Spills		0.1 million 2022: 0.1 million tonnes routine flaring from upstream operations. See Flaring
	25,000 2022: 24,000 suppliers around the world. See Supply chain		32% 2022: 30.4% women in senior leadership positions. See Diversity, equity and inclusion		\$128 million 2022: \$182 million spent on voluntary social investment. See Social investment
	83% 2022: 83% spent on goods and services from suppliers based in the same country of operation. See Local content		295,000 2022: 266,000 formal training days for employees and joint-venture partners. See Diversity, equity and inclusion		120,000 2022: 78,300 students participated in NXplorers, our flagship STEM programme. See STEM education

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

[B] Including around 3.4 billion litres through our Raizen joint venture.

More in this report [Our journey to net zero](#) | [Letter from the CEO](#) | [Our Powering Progress targets](#)
More on Shell websites [Our approach](#) | [Our approach to sustainability](#) | [Results and reporting](#)

Remuneration

Our remuneration is designed to support us in achieving our net-zero emissions target. Our Long-term Incentive Plan (LTIP), Performance Share Plan (PSP) and annual bonus scorecard all include performance indicators that help us to assess our success in delivering our energy transition strategy.

In 2023, Shell's journey in the energy transition continued to be part of the annual bonus scorecard (15% weighting), which applied to all Group employees. We assessed our performance using three metrics:

- selling lower-carbon products: the proportion of adjusted earnings in our Marketing segment coming from lower-carbon energy products (on a life-cycle basis), as well as non-energy products and convenience retail;
- reducing our operational emissions: greenhouse gas abatement projects that reduce our Scope 1 and 2 operational emissions; and
- partnering to decarbonise: progress in rolling out electric vehicle charge points.

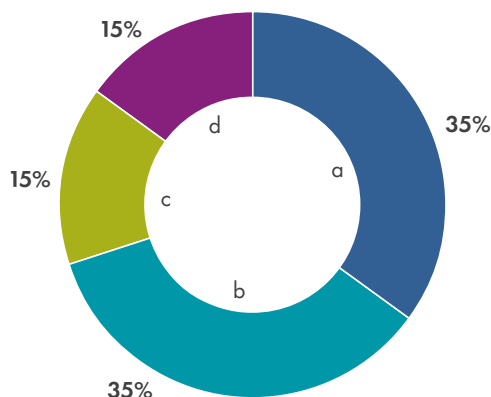
The annual bonus scorecard continued to include a customer excellence measure (10% weighting), highlighting the importance of building stronger customer relationships in the energy transition. The scorecard also continued to include safety performance (15% weighting). For a complete breakdown of the scorecard see the graphic below.

In 2023, a proportion of the Long-term Incentive Plan, applicable to Executive Directors and around 150 other senior executives, was linked to Shell's journey in the energy transition (25% weighting), including a target to reduce the net carbon intensity of our energy products by 9–13% (compared with a 2016 baseline) by 2025. The same energy transition performance condition was also part of the 2023 Performance Share Plan awards (12.5% weighting), applicable to around 16,500 employees.

Read more about remuneration in our [2023 Annual Report](#).

Annual bonus scorecard architecture 2023

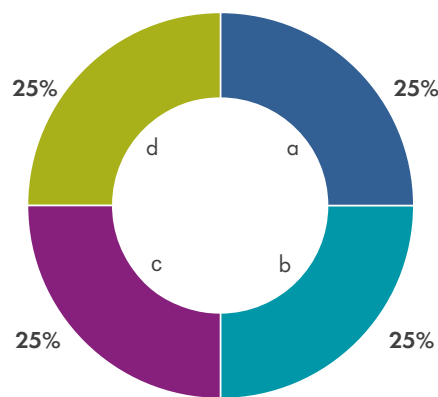
Percentage



- a ■ **Cash flow from operations**
(weighted 35%)
- b ■ **Operational excellence**
(Asset management excellence 15%,
project delivery excellence 10%,
customer excellence 10%)
- c ■ **Shell's journey in the energy transition**
(Selling lower-carbon products 5%,
reducing operational emissions 5%,
partnering to decarbonise 5%)
- d ■ **Safety**
(Serious injury and fatality frequency 7.5%,
Tier 1 and 2 process safety 7.5%)

Long-term Incentive Plan performance conditions 2023

Percentage



- a ■ **Relative cash generation (cash flow from operations/average capital employed)** (weighted 25%)
- b ■ **Relative total shareholder returns** (25%)
- c ■ **Absolute organic free cash flow** (25%)
- d ■ **Shell's journey in the energy transition** (25%)

Performance against the relative performance conditions is assessed against other energy majors (bp, Chevron, ExxonMobil and TotalEnergies).

About this report

Selecting the topics

The 2023 Sustainability Report, published on March 19, 2024, is our 27th such report. It details our social, safety and environmental performance in 2023. As of 2024, our sustainability reporting will be integrated with the Shell Annual Report and Accounts.

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 relevant, balanced, fair and complete.

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

Reporting guidelines

Our reporting is informed by several voluntary reporting standards and guidelines including those developed by Ipieca, the global oil and gas industry association for advancing environmental and social performance across the energy transition, and the Global Reporting Initiative (GRI) (see the [GRI content index](#) and www.shell.com/voluntary-reporting-standards-and-esg-ratings for full details).

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

We are also a founding member and a signatory of the United Nations Global Compact. We continue to support its corporate governance principles on human rights, environmental protection, anti-corruption and better labour practices.

The recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) guide our reporting in our Annual Report. Our climate-related financial disclosures are consistent with all of the TCFD recommendations and recommended disclosures. We recognise the value that the recommendations bring.

As a third-country issuer with securities listed on an EU-regulated market, Shell plc expects to come within the scope of the EU Corporate Sustainability Reporting Directive in 2024, subject to relevant legislative processes. We also continue to monitor the development of emerging frameworks such as the Taskforce on Nature-related Financial Disclosures.

More detailed information about how we report is available at www.shell.com/sustainability/transparency-and-sustainability-reporting.

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

 **More on Shell websites** [Our approach](#) | [Voluntary reporting standards and ESG ratings](#) | [External voluntary codes](#)

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 2023 Report Review Panel comprised five sustainability and corporate reporting experts:

- Hilary Parsons, UK, formerly Head of Creating Shared Value Engagement, Nestlé (Chair of the Report Review Panel);
- Vanessa Zimmerman, Australia, Chief Executive Officer, Pillar Two;
- Renard Siew, Malaysia, Adviser on Climate Change, Centre for Governance and Political Studies;
- Elizabeth White, USA, Principal Strategist and Global Head Sustainability and Development Impact, Sector Economics and Impact Measurement, International Finance Corporation, part of the World Bank Group; and
- Maria Pontes, UK, Director of Programmes and Partnerships, Earthwatch Europe.

The panel provided input into our 2023 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

"As in previous years, Shell has given the panel the opportunity to review two drafts of the 2023 Sustainability Report and to provide written and verbal feedback which has been considered by Shell when producing the final version of the report. In 2021, Shell altered its approach to sustainability reporting in order to highlight significant data with further explanations and background provided through links to Shell.com. It should be noted that the panel has no remit in connection with the website and has not reviewed any of the information provided therein.

Overall, the panel has welcomed the conciseness of the Sustainability Report and has been keen to ensure that sufficient explanation of the context of the data is included in order to help readers better understand the information without having to resort immediately to clicking on website links. The panel has therefore stressed the importance of including transparent, qualitative information along with the figures, and we are pleased that this has been recognised by Shell who has continued to make progress in this area although more remains to be done. The use of graphics to get across progress on strategic priorities is a useful tool in this respect and we welcome that Shell continues to adopt this approach.

Highlighting key differences between the current report and that of the previous year is also useful such as changes to the most important topics, reasons for achieving or not achieving key targets or significant external actions such as the signing of the Oil and Gas Decarbonization Charter launched at COP28. However, there is also an opportunity to better demonstrate the connections between the different topics. For example, making further links between the human rights section and other sustainability topics could aid readers to understand Shell's overall approach and to highlight that this approach is also guided by respecting people.

We were also pleased to see additional detail on the actions taken in relation to contributing to a just transition. The respecting nature section has also been more elaborated than previously, although more transparency about the challenges involved would be useful. We were also pleased to see additional detail on salient human rights issues and Shell's broader approach to managing human rights risks.

To further improve transparency, the panel recommends that Shell provides additional information and data on the following:

- Ensuring that key terms and concepts used throughout the report are clearly defined.
- The human rights risks associated with the transition to renewable solutions (including solar) and in connection with biodiversity, and actions taken to manage these risks.
- How Shell has used its salient human rights issues assessment to prioritise its human rights risk management actions, including more detail on how these issues guide work under its four focus areas.
- How Shell tracks the effectiveness of its sustainability performance, including comparisons with other sectors.
- Clearer information on the key challenges faced by Shell in achieving its respecting nature targets.
- The environmental challenges associated with wind and solar activities.
- More detail on the nature of stakeholder engagements."

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

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