



SAY ON CLIMATE assessment

UK	Shell		2024	
Transparency rating		ACT ACCELERATE ® CLIMATE TRANSITION		
40% alignment with FIR recommendations	PERFORMANCE SCORING 8,6 / 20	NARRATIVE SCORING	TREND SCORING	

Although Shell has announced an ambition of carbon neutrality by 2050, and a new medium-term objective set for part of its scope 3 in absolute terms, the company does not seem to be planning to make the transition to develop sustainable activities and transform the core of its business model in order to meet the targets it has set itself. The company is not transparent about the proportion that reduction actually represents in relation to offsetting and capturing emissions. Nor does the company communicate clearly on the investments specifically dedicated to each low-carbon energy source between now and 2030, or on the targeted energy mix. While we welcome the company's effort to present a Say on Climate, we encourage it to go further in terms of the transparency and ambition of its climate strategy.

Since 2021, the French Forum for Responsible Investment (FIR) has called for the widespread adoption of stringent Say on Climate (SOC). In March 2023, the FIR signed again <u>an agreement with 48</u> French and European signatories, encouraging the development of SOCs. Meanwhile, in 2022, FIR began analyzing the climate plans of French companies that submit them to shareholder vote. After joining forces last year, FIR and ADEME are extending their partnership by joining forces this year with Ethos and the World Benchmarking Alliance, to analyze the climate plans of European companies submitted to a consultative shareholder vote at their annual general meetings in 2024.

In 2022, FIR had published <u>analysis reports</u> assessing the extent to which French companies' climate strategies were in line with its recommendations. In 2023, as part of the partnership with ADEME, these analysis reports has been enriched with the <u>ACT</u> <u>assessment tool</u>, to measure the contribution of corporate strategies and actions to the mitigation objectives of the Paris Agreement.

In 2024, the scope of our analysis has been extended to include European companies which have submitted a SOC. Assessments will be published progressively ahead of their annual general meetings.

As in 2022 and 2023, the FIR wishes to salute the efforts of companies that contribute to improving shareholder dialogue, and encourages them to reiterate the Say on Climate exercise annually.

TABLE OF CONTENTS

- Assessment according to the FIR analysis grid
- ACT's assessment
- FIR's recommandations grid
- ACT's assessment methodology
- ACT Oil and gassector methodology



With the contribution of the European Union LIFE program

In partnership with :







FORUM POUR L'INVESTISSEMENT RESPONSABLE

SHELL

Ambition Net Zero 2050

Ambition of carbon neutrality for 2050 on the three scopes >Part of reduction and compensation to reach the ambition are not detailed > The company plans to use carbon capture and storage, as well as carbon credits, without giving details of the exact use in the medium and long term From 2021 to 2023, 29.2 MtCO2eq offset, including 20 MtC02eq offset in 2023

Reference scenario

Projections for 2050 refer to the IEA's Net Zero scenario and the APS scenario. Regarding the projections of the company, it only joins the IEA's NZE scenario in 2050

▷Questioning the compatibility of the strategy with the IEA's NZE scenario*

Current GHG emissions (2023 vs 2022)

SCOPE 1 50 MtCO2eq (51 MtCO2eq) 4%

SCOPE 2 7 MtCO2eq (7 MtCO2eq) 1%

1,147 MtCO2eq (1,174 MtCO2eq) 95%

Short-term GHG emissions reduction target

Reduction of 9-13% in intensity of all scopes by 2025 compared with 2016*** ▷ No absolute targets

Medium-term GHG emissions reduction target

Scopes 1 and 2 (5% of emissions): 50% reduction in absolute terms by 2030 compared with 2016, to reach 41 MtCO2eq. Reduction of 15-20% in the intensity of scopes 1, 2 and 3 emissions between 2016 and 2030*** Reduction target lower than last year : from 20% to 15-20%

Reducing customer emissions from the use of oil products (517 MtCO2 eq) by 15-20% by 2030 vs. 2021 (45% of scope 3) ▷The target above on scope 3 does not include gas, it only covers oil products

▷ To be in line with a Net Zero scenario, the IEA recommends a -60% reduction of emissions absolute from scopes 1 and 2 by 2030 compared with 2022*

Long-term GHG emissions reduction target

No clear reduction target other than to achieve carbon neutrality by 2050

>Between 2030 and 2040, there will be still 85 to 80% to reduce for the target set for 45% of scope 3 emissions compared to 2021.

Action plan measure

Eliminate routine flaring by upstream operations by 2025 (0.2MtCO2eq flared in 2022),

Maintain methane emissions intensity below 0,2% and achieve near zero methane emissions by 2030, Developing biofuels and hydrogen

Increase sales of renewable electricity (by 2023, development of 4.1 GW of additional renewable capacity, on top of the 2.5 GW of renewable capacity already installed), energy efficiency, carbon credits and CCS.

The company has not communicated a target for the development of its renewable energy capacity by 2030.

▷No exact figures for the contribution of objectives to each action

35% of its energy sales divided between gas pipelines (26%), electricity and biofuels. The share devoted to electricity and b iofuels is increasing but is not clearly specified.

▷ Development of gas projects up to 2030 (+20-30% LNG production 2030 vs. 2022) in contradiction with the recommendations of the Net Zero scenario IEA***

Investment alignment (OPEX/CAPEX)

▷ The company continues to invest in new oil and gas projects, contrary to the IEA's Net Zero scenario****

Between 2023 and the end of 2025, target of \$10-\$15 billion in low-carbon energies. In 2023, \$340 millions of CAPEX dedicated to capture carbon solutions CCS

Of the total CAPEX planned for 2024, \$22-25 billion: around 20% of planned investments are devoted to low-carbon energy (including low-carbon fuels, renewables energy production, hydrogen,...) and compensation (including CCS et carbon credits included), 35% to oil and gas and 33% to fossil fuel extraction.

The proportion of investment devoted to low-carbon energy is low (around 20%) compared with the recommendations of the IEA's NZE scenario, which recommends that a minimum of 50% of CAPEX be allocated to clean energy projects by 2030^{**}

▷ In 2023, CAPEX eligible for taxonomy 19.2% (\$6 032 million) / 13.3% aligned with taxonomy (\$4 173 million) By 2023, \$340 million in CAPEX dedicated to CCUS carbon capture solutions

Remuneration

Variable annual remuneration for Chief Executive Officer and Chief Financial Officer :

5% criterion on the reduction of scopes 1 and 2 emissions 5% criterion to support the reduction of customer decarbonisation (scope 3 category 11)

▷ In 2024, the criterion of sales of low-carbon products has been replaced by the criterion of LNG volumes (5%).

Annual consultation on implementation

Despite the submission of the consultative vote over the last three years consecutive years, the company will propose a vote every 3 years from now on.

Consultation on strategy every 3 years

The "energy transition strategy" report will be submitted to a consultative vote every three years Caption:

Long-term remuneration Chief Executive Officer and Chief Financial Officer:

25% on Shell's transition (REMCO):

Halve emissions from scopes 1 and 2 by 2030 vs. 2016; eliminate routine flaring by upstream operations by 2025; Maintain methane emissions intensity below 0,2% and achieve near zero methane emissions by 2030; target 15-20% reduction intensity for part of the category 11 of scope 3 (45% of scope 3)

*According to the ReclaimFinance report "Assess ment of Shell's climate strategy", Shell's oil and gas production targets for 2000 are 11% higher than production in 2023. As a result, by 2030, the company's targeted carbon intensity would be 32.8% higher than the NZE for instance **Total scope 3 includes scope categories 1,3,9,11; These numbers include well-to-

wheel emissions as sociated with energy products sold, on an equity boundary basis; they also include the well-to-tank emissions as sociated with the manufacturing of energy products by others that are sold by Shell. Emissions as socia ted with the manula cturing and use of non-energy products are excluded. ***Calculated according to the Net Carbon Intensity, NCI; indicator set by Shell

*** *IEA, World Energy Outlook 2023, 2023

Failure to obtain full points SAY ON CLIMATE EN - 2024

40% alignment with FIR recommendations

> \triangle The IEA's Net Zero scenario forecasts global CO2 storage of

7.6 Gt/year in 2050***

SCOPE 3**

including customer emissions due to the use of oil products: 517 MtCO2eq in 2023 (45% of scope 3) = part of category 11 of scope 3



PERFORMANCE SCORING

8.6/20

SHELL





NARRATIVE SCORING

ABCD

TREND SCORING

Module	Score	%	
Targets	4/20	15%	
Material investment	2/20	15%	
Intengible investment	5/20	8%	
Sold product performance	10/20	23%	
Management	17/20	10%	
Supplier engagement	12/20	4%	
Client engagement	9/20	10%	
Policy engagement	12/20	5%	
Business model	12/20	10%	

•	Shell has set targets to be net-zero across its scope 1, 2 and 3
	emissions by 2050. However, the company's targets could not
	be assessed as they rely on an undisclosed amount of carbon
	offsets.

Assessment's elements

- In 2024, Shell set specific targets to reduce the net carbon intensity of its scope 1+2+3 emissions by 15-20% by 2030, as compared to 2016. Moreover, the company set targets to reduce customer emissions from the use of oil products (part of category 11 of scope 3) by 15-20% by 2030, as compared to 2021. However, the company plans to use carbon credits for the achievement of these targets.
- The company's scope 1+2 emissions intensity has stagnated in the last 5 years.
- Shell reports a 49% of R&D investments in low-carbon technologies, but does not disclose the proportion directed to non-mature and carbon removal technologies.
- In 2024, Shell reported a proportion of CAPEX aligned with the EU Taxonomy of 13.3%, which falls short of the sectoral expectation of 77%.
- Shell has a transition plan, with intermediate targets and oversight of climate change issues under the responsibility of the Board. However, the company has not committed to stopping oil and gas exploration.
- Shell's strategy for influencing suppliers' GHG emissions is generally advanced. A key improvement would be to include GHG emissions reduction commitments in engagements with suppliers.
- Shell's strategy for influencing its customers' GHG emissions is advanced overall. Key improvements would be to include financial benefits for sustainable products and to disclose the quantitative impact of implementing the strategy.
- Shell has a comprehensive climate and energy transition policy, which is aligned to its net-zero ambitions. However, the company provides funding to associations not aligned to the Paris Agreement, such as the API.
- Shell is developing low-carbon business models, such as electric charging stations for EVs, renewable electricity from solar and wind sources, biofuels and carbon capture technologies. However, these business still represent a limited size of market for the company.

Consistency of the plan:

Overall, Shell's climate plan includes details but measurable actions are not reported by 2050. The company has released an Energy Transition Strategy considering short actions based on avoid, reduce and offset climate emissions. The company has set specific targets to reduce in absolute around half of its scope 3 emissions, which represent the biggest part of its total carbon footprint. Moreover, Shell has achieved its previous targets related to reducing its net carbon intensity, however, this has considered the use of carbon credits. Additionally, the company is still active in the exploration and exploitation of fossil fuels and has not committed to phasing out its operations. Their Net Zero Ambition for 2050 is questionnable regarding the lack of emission reduction in recent years and almost no change in their business model for the future.

Identified areas for improvement:

Shell aims to be a leader in decarbonising the energy sector and scaling up new technologies. However, the reported CAPEX for 2023 aligned with the EU Taxonomy is 13.3%. Shell could improve by diversifying their business model and in investing more in the development of low-carbon technologies. In addition, the company still relies on carbon credits and offsets to achieve its emissions reduction targets.



SAY ON CLIMATE 2023 evaluation grid

based on follow-up to FIR recommendations

			•
Ambition net zero 2050	If the ambition of contributing to carbon neutrality by 2050 is declared and clear explanations are given on how to achieve this neutrality The level of negative emissions is limited	The ambition to contribute to carbon neutrality by 2050 is declared and the explanations on how to achieve this neutrality are clear. The level of negative emissions is high	A declared ambition, but very little clarity on how the company intends to achieve carbon neutrality (no long-term reduction targets, targets set are not very credible, heavy reliance on offsetting, etc.) or no declared ambition to be carbon neutral by 2050
Reference scenarios used	The company positions its climate strategy in relation to a 1.5°C warming scenario for all scopes	The company uses a reference scenario limiting warming to between 2°C and 1.5°C, or 1.5°C for only part of its scope.	No reference scenario explicitly mentioned or scenario(s) not used to define the strategy
Current GHG emissions	Disclosure of greenhouse gas emissions in absolute terms; breakd own by scope	Insufficiently detailed publication	No public data
Short-term GHG emissions reduction target	If the quantified emission reduction targets before 2030, expressed at least in absolute terms, cover the 3 scopes and are set in relation to the company's 1.5°C alignment trajectory. This trajectory has been scient ifically validated.	If the quantified emission reduction targets before 2030 do not cover the majority of the company's activities, or if these targets cover all activities but are on a trajectory of between 2°C and 1.5°C	No quantified target for reducing emissions in the short term, or targets that are not very ambitious in the short term (reference year too far in the past, no absolute reduction, not scientifically validated, etc.)
Medium-term GHG emissions reduction target	If the quantified emission reduction targets for 2030, expressed at least in absolute terms, cover the 3 scopes and respect the alignment with a 1.5°C scenario. This trajectory has been scientifically validated	If the quantified emissions reduction targets for 2030 do not cover the majority of the company's activities, or if these targets cover all activities but are on a trajectory of between 2°C and 1.5°C	No quantified target for reducing emissions in the medium term, or targets that are not very ambitious in the medium term (reference year too far in the past, no absolute reduction, not scientifically validated, etc.)
Long-term GHG emissions reduction target	If the quantified emission reduction targets in 2050 or earlier, expressed at least in absolute terms, cover the 3 scopes and are set in relation to the company's 1.5°C alignment trajectory. This trajectory has been scientifically validated	If the quantified emission reduction targets for 2050 or earlier do not cover the majority of the company's activities, or if these targets cover all activities but are on a trajectory of between 2°C and 1.5°C	No quantified target for reducing emissions in the long term, or targets that are not very ambitious in the long term (reference year too far in the past, no absolute reduction, not scientifically validated, etc.)
Action plan measures	Detailed measures for each scope of the company with a sufficient level of detail, including short- and medium-term figures, to enable the alignment of this plan with the objectives set to be assessed.	Detailed measures for each scope of the company, but in sufficient detail to assess the level of alignment with the objectives set (lack of quantified measures in particular)	Measures with little or no detail
Investment alignment (OPEX / CAPEX)	Details the proportion of in vest ments (OPEX and CAPEX) that contribute to meeting short- and medium-term targets, and explains how these in vest ments enable the targets to be met	The information provided on the contribution of investments to the achievement of objectives does not allow an understanding of how the company achieves the objectives set	No investments contributing to the achievement of explicit objectives
Remuneration	All variable parts of the remuneration of corporate officers in clude at least one criterion that assesses the achievement of greenhouse gas emission reduction targets. The % of remuneration determined by this criterion is published; it represents a significant proportion (10% or more)	At least part of the variable part of the remuneration of corporate officers is covered by a non-diluted criterion for reducing greenhouse gas emissions in line with the reduction trajectory defined by the company	The criterion included in the remuneration of corporate officers relating to the reduction in greenhouse gas emissions is diluted, or does not follow the reduction trajectory defined by the company. or No criteria relating to the reduction of greenhouse gas emissions are included in executive remuneration
Annual consultation on implementation	The company undertakes to consult shareholders annually on the implementation of its climate change strategy	The company is committed to consult shareholders on the implementation of its climate strategy over the coming years	The company does not undertake to consult sharehold ers on the implementation of its climate strategy
Consultation on strategy every three years	The company undertakes to consult shareholders on its climate strategy at least every three years	The company undertakes to consult shareholders on its climate strategy over the coming years	The company makes no commitment to consult shareholders on its climate strategy

Weighting: the two final criteria correlated with the vote are given a weighting of 0.5 each, while the other nine retain a weighting of 1.

ACT's methodology



RÉPUBLIQUE FRANÇAISE Liberté Égalité Fraternité



->IT'S TIME TO ACT

WHAT IS ACT ?

A joint voluntary initiative of the UNFCCC secretariat Global Climate Agenda.

WHY ACT ?

Drive climate action by companie and align their strategies with low-carbon pathways.

HOW DOES ACT WORK ?

ACT provides sectoral methodologies as an accountability framework to assess how companies' strategies and actions contribute to the Paris mitigation goals.

FRAMEWORK



INNOVATIVE : ACT is an integrated, long-term approach.

QUANTITATIVE : it measures past, present and future performance

TARGETED: on the main sources of emissions in the value chain

SECTORAL: addressing issues specific to the transition of each sector

TRANSPARENT: through third-party evaluation





ACT Methodology Oil and Gas

The full ACT methodology for the Generic sector can be found on our website. The detailed assessment is summarized in a score based on three criteria: performance, overall consistency and trend. It takes the following form:

- Performance: number between 1 and 20
- Evaluation (consistency): letter between A and E
- Trend: + (improvement), (deterioration), = (stable)

Score de performance

Module	Indicator
	1.1 Alignment of scope 1, 2 emissions reduction targets
1 Tavasta	1.2 Alignment of scope 1, 2 and 3 emissions reduction targets
1. Targets	1.3 Time horizon of target
	1.4 Achievement of previous and current targets
	2.1 Trend in future scope 1 + 2 emissions intensity
	2.2 Emissions lock-in
2. Material	2.3 Share of unsanctioned projets within carbon budget
Investment	2.4 Low carbon and mitigation technologies capex share
	2.5 Carbon removal technologies (CDR) and carbon capture, use and storage technologies (CCS, CCUS) CAPEX share
3. Intangible	3.1 Share of R&D in Low carbon and mitigation technologies
investment	3.2 Share of R&D in Carbon Removal Technologies
	4.1 Trend in past Scope 1 + 2 + 3 emissions intensity
4. Sold product	4.3 Trend in future Scope 1 + 2 + 3 emissions intensity
performance	4.3 Trend in future low-carbon products share
	4.4 Energy efficiency services share
	5.1 Oversight of climate change issues
	5.2 Climate change oversight capability
5. Management	5.3 Low-carbon transition plan
	5.4 Climate change management incentives
	5.5 Climate change scenario testing
C. Cumpling	6.1 Supplier engagement
engagement	6.2 Activities to influence suppliers to reduce their GHG emissions
	7.1 Strategy to influence customers to reduce their GHG emission
7. Client engagement	7.2 Activities to influence customers to reduce their GHG emission
	8.1 Company policy on engagement with trade association
8. Policy engagement	8.2 Trade associations supported do not have dimate-negative activities or positions
	8.3 Position on significant climate policies
0 Duringer	9.1 Business activities that drive the energy mix to low-carbon energy
9. Business model	9.2 Business activities that contribute to the reduction of energy demand
	9.3 Business activities that develop CCS, CCUS and Negative Emissions Technologies (NETs).

Narrative scoring

- 1. Business model and strategy
- 2. Consistency and credibility
- 3. Reputation
- 4. Risks

Trend scoring

- 1. Probability of emissions' evolution
- 2. Evolution of business model and strategy







Disclaimer:

The information and assessments disclosed here do not constitute investment or voting advice. Each organisation individually determines the most appropriate way to use this information. In addition, the information and assessments contained in this document reflect a judgement at the time these assessments were made and do not guarantee that the most recent information on the company has been taken into account, as this information may have been published between the assessment and the publication of this document.

In collaboration with:



