

## Investment Stewardship

# Vote Bulletin: Shell plc

Company	Shell plc (LSE: SHEL)
Market and Sector	United Kingdom, Energy
Meeting Date	21 May 2024
Key Resolutions <sup>1</sup>	<p><b>Item 22:</b> Approve the Shell Energy Transition Strategy</p> <p><b>Item 23:</b> Advise Shell to Align its Medium-Term Emissions Reduction Targets Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement</p>
Key Topics	Corporate strategy, climate-related risks and opportunities
Board Recommendation	The board recommended shareholders vote FOR Item 22 and AGAINST Item 23
BlackRock Vote <sup>2</sup>	BlackRock voted FOR Item 22 and AGAINST Item 23

### Overview

Shell plc (Shell) is an energy company headquartered in the United Kingdom, with operations in more than 70 countries around the world.

As part of our fiduciary duty to our clients, BlackRock Investment Stewardship (BIS) promotes sound corporate governance as an informed, engaged shareholder on their behalf. In our experience, sound governance is critical to long-term financial value creation and the protection of investors' interests.

BIS takes a constructive, long-term approach to our engagement with companies and focuses on the management and oversight of the drivers of risk and financial value creation in a company's business model. Engagement may also help inform our voting decisions for those clients who have given us authority to vote on their behalf.

BIS has had extensive, multiyear engagements with Shell where we have discussed, among other topics, board composition, corporate strategy, and the board's oversight of, and management's approach to, climate-related risks and opportunities.

Our approach as an asset manager to climate-related risks, and the opportunities presented by a low-carbon transition, is based on our fundamental role as a fiduciary to our clients. The money we manage is not our own –

<sup>1</sup> Shell plc, "[Notice of the Annual General Meeting](#)", 2024.

<sup>2</sup> BIS conducts proxy voting for those clients who authorize us to vote on their behalf. As part of BlackRock's Voting Choice program, eligible institutional and retail clients can have greater access to the proxy voting process where legally and operationally viable. Read more about Voting Choice [here](#).

it belongs to our clients, many of whom make their own asset allocation and portfolio construction decisions. BlackRock's role is to help our clients navigate investment risks and opportunities; it is not our role to engineer a specific decarbonization outcome in the real economy. As a fiduciary asset manager, we want to hear about the impact that material risks and opportunities arising from climate change and a low-carbon transition are expected to have on the strategies, business models and financial performance of the companies in which we invest on clients' behalf.

## **Rationale for BlackRock's vote**

### **Item 22: Approve Shell Energy Transition Strategy (FOR)**

**BIS supported this management proposal because, in our view, Shell has provided and continues to provide a clear assessment of its plans to manage material climate-related risks and opportunities and continues to demonstrate progress against its Energy Transition Strategy.**

At Shell's May 2024 annual general meeting (AGM), BIS supported management's proposal to approve Shell's energy transition update and its Energy Transition Strategy 2024, both of which are disclosed on the company's website.<sup>3</sup> Shell first submitted its Energy Transition Strategy for a vote at the May 2021 AGM, when it received 89% support from shareholders, including BIS. In the two subsequent years, the company proposed an advisory shareholder vote on the progress made to date against its Energy Transition Strategy. The proposals received 79.9% and 80% shareholder support in 2022 and 2023, respectively, including from BIS.

In our view, Shell has provided and continues to provide a clear assessment of its plans to manage material climate-related risks and opportunities, while also demonstrating progress against its stated Energy Transition Strategy.

As presented during its Capital Markets Day in 2023, Shell aims to deliver "more value with less emissions." In line with the shift to prioritizing value over volume, it is concentrating on select markets and segments where it has competitive advantage, such as the decarbonization of transportation.<sup>4</sup> In our assessment, Shell has demonstrated that it remains on track to meet its goal of reducing by 50% the scope 1 and 2 emissions under its operational control by 2030 compared to 2016. By the end of 2023, the company had achieved more than 60% of this target.<sup>5</sup> Shell is also making progress towards its plan to eliminate routine flaring from upstream operations and achieve near-zero methane emissions by 2030.<sup>6</sup>

We note that Shell has made several adjustments to its climate-related targets due to developments in energy markets and the strategic shift in its power business. For example, Shell retired its 2035 net carbon intensity (NCI) target of 45% because of uncertainty regarding the pace of the global low-carbon transition. Shell also adjusted its 2030 NCI reduction target from 20% to 15-20%, based on lower expected growth in total power sales for the period as it prioritizes value over volume in its power business, focusing on commercial customers more than retail customers. BIS views these adjustments as reasonable and in the interest of shareholders given that they reflect, and provide transparency into, Shell's efforts to manage climate-related risks and opportunities in its business model.

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<sup>3</sup> Shell plc, "[Annual reports and publications](#)", and "[Notice of the Annual General Meeting](#)", 2024.

<sup>4</sup> Shell plc, "[Shell to deliver more value with less emissions](#)", June 2023.

<sup>5</sup> Shell plc, "[Our climate target](#)".

<sup>6</sup> Shell plc, "[Notice of the Annual General Meeting](#)", 2024.

**Item 23: Advise Shell to Align its Medium-Term Emissions Reduction Targets Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement (AGAINST)**

**BIS did not support this shareholder proposal because, in our view, the proposal is overly prescriptive. It is the role of company leadership to set and implement the company's strategy. In our assessment, support of this proposal would contradict the Energy Transition Strategy 2024 that has been put forward by the board and management team.**

The agenda of Shell's May 2024 AGM included a shareholder proposal requesting that the company "align its medium-term emissions reduction targets covering the greenhouse gas (GHG) emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C."<sup>7</sup> The proponent has filed similar shareholder proposals at Shell's previous AGMs, which received 30.5%, 20.3% and 20.2% support from shareholders in 2021, 2022 and 2023, respectively.

As a minority investor on behalf of our clients, BlackRock relies on the boards and management teams of companies to set and implement the strategies they deem most appropriate with the objective of delivering durable long-term financial returns. Shell has developed climate-related emissions reduction targets that are being implemented through its Energy Transition Strategy. Its targets are set using a 1.5°C pathway that it developed based on 1.5°C scenarios developed for the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (AR6). We understand that Paris Agreement-aligned targets are set on a best-efforts basis given that there is currently a lack of global consensus about how energy suppliers should decarbonize to meet the Paris Agreement's 1.5°C target.

Given that the speed and shape of a low-carbon transition are unclear, comprehensive company disclosures that include scenario analysis and provide context on a transition plan and targets help investors' understanding of company-specific risks and opportunities. In our view, and as discussed above, Shell's reporting, including of scope 3 emissions reduction targets, and approach to climate-related risks and opportunities continue to be aligned with our clients' long-term financial interests. In contrast, the proponent's request to Shell to more rapidly reduce its scope 3 emissions (from use of its products), which are largely outside the company's control, would potentially have a material negative financial impact on its investors.

In addition, despite the use of less prescriptive language than that used in prior proposals, we considered the proponent's request unduly constraining on management's decision-making in its request to align targets to a specific GHG emissions reduction pathway. The request of the proposal undermines Shell's stated strategy to deliver more value with less emissions by asking the company to adopt a different target, which could negatively impact its ability to deliver long-term, financial returns for shareholders such as BlackRock's clients.

For the reasons explained above, BIS determined that it would not be in the best financial interests of BlackRock's clients to support the shareholder proposal.

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<sup>7</sup> Shell plc, "[Notice of the Annual General Meeting](#)", 2024.

## About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) promotes sound corporate governance as an informed, engaged shareholder on behalf of our clients. For those clients who have given us authority,<sup>8</sup> we vote proxies in line with our public [Global Principles and regional voting guidelines](#) and informed by our engagements, where relevant, as well as our analysis of company disclosures.<sup>9</sup> We vote with the sole objective to advance our clients' long-term financial interests.

As one of many shareholders, and typically a minority one, our role, on behalf of our clients as long-term investors, is to better understand how a company's leadership is managing risks and capitalizing on opportunities to help protect and enhance its ability to deliver long-term financial returns.

The BIS team of more than 65 dedicated professionals<sup>10</sup> operates across nine offices globally, taking a localized approach while also benefitting from global insights. We focus most of our efforts on corporate governance as, in our experience, sound governance is critical to the success of a company, long-term financial value creation, and the protection of investors' interests.

We are committed to transparency in the stewardship work we do on behalf of clients. The BIS [Global Principles, regional voting guidelines](#), and five [engagement priorities](#) (collectively, the BIS policies) set out the core elements of corporate governance that guide our investment stewardship program globally and within each regional market every year. These policies support effective stewardship processes and transparency and align with our commitment to pursue long-term financial returns for our clients as shareholders.

In addition, we inform clients about our engagement and voting policies and activities through direct communication and through various other disclosure on our [website](#). For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting explaining how we voted on key proposals.

**Want to know more?** [blackrock.com/stewardship](https://blackrock.com/stewardship)

[contactstewardship@blackrock.com](mailto:contactstewardship@blackrock.com)

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<sup>8</sup> BIS conducts proxy voting for those clients who authorize us to vote on their behalf. As part of BlackRock's Voting Choice program, eligible institutional and retail clients can have greater access to the proxy voting process where legally and operationally viable. Read more about Voting Choice [here](#).

<sup>9</sup> As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.

<sup>10</sup> As of December 31, 2023.