

CHEMISTRY THAT MATTERS™



# TOWARD A CIRCULAR FUTURE

SUSTAINABILITY REPORT 2019



AT SABIC, WE ARE TRANSFORMING EVERYTHING WE DO, THE WAY WE DO IT, AND OUR RELATIONSHIPS WITH ALL OUR STAKEHOLDERS, TO DO AN EVER BETTER JOB OF HELPING MAKE TOMORROW'S WORLD BETTER THAN TODAY'S. IT IS WHAT WE CALL 'CHEMISTRY THAT MATTERS™'.

**COVER:** SABIC is helping build highly efficient solar fields, on lakes, that are cooled by water. The panels float on barrels made from SABIC materials, enabling them to stay cool to generate energy more efficiently without overheating or using valuable land. Our support for renewable energy, part of our wider efforts to help the world move toward a circular future, was a key theme in our first global brand campaign. The campaign promotes the spirit of collaboration, innovation, and SABIC's commitment to create 'Chemistry that Matters™'.

For more collaboration stories, please visit our campaign webpage, [www.sabic.com/collaboration](http://www.sabic.com/collaboration).

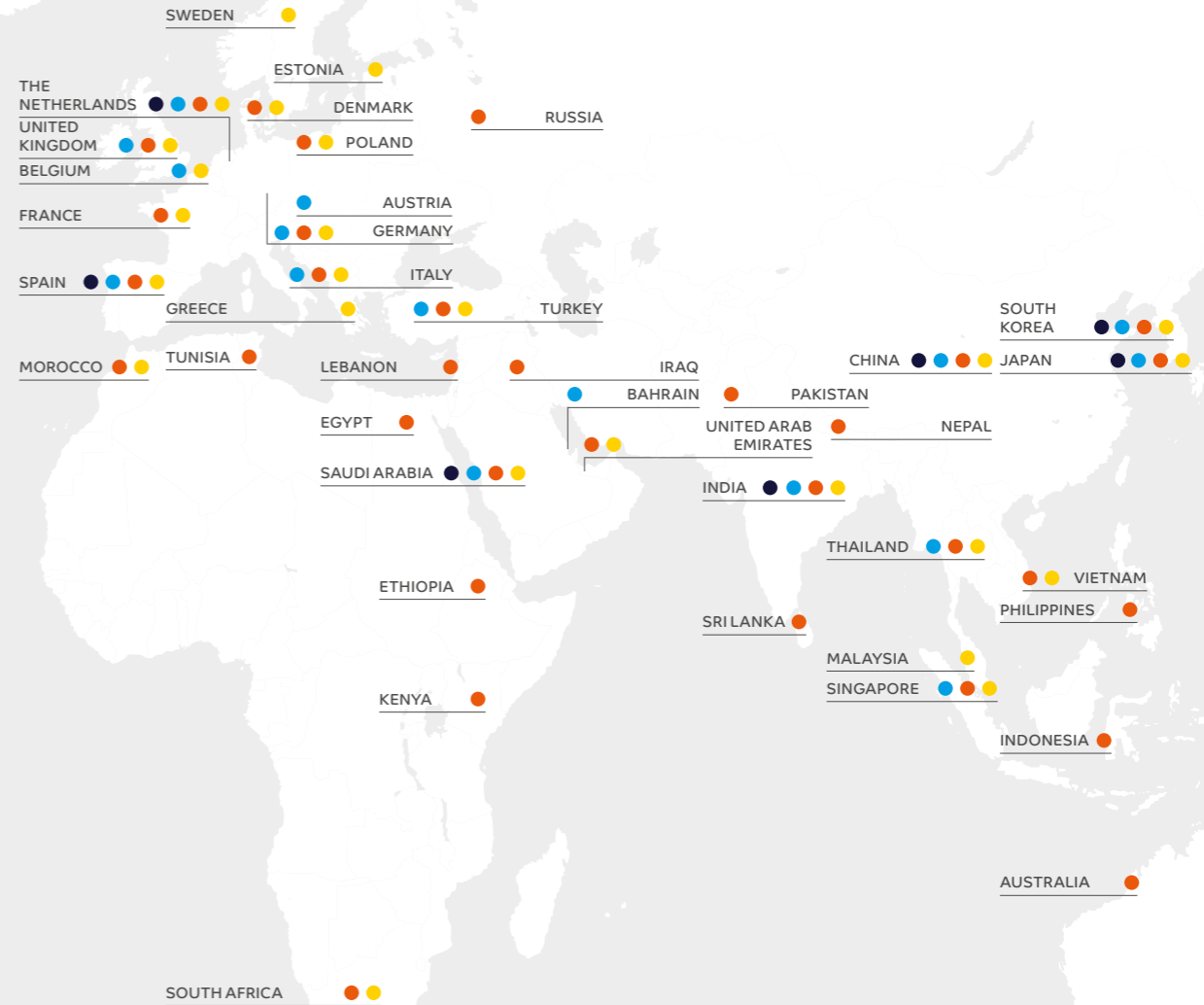
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# OVERVIEW

- Technology and innovation centers ●
- Manufacturing and compounding plants ●
- International subsidiaries and sales offices ●
- Distribution, storage facilities, and logistical hubs ●



## THIS IS SABIC

<p><b>33,000+</b> employees including 1,270 scientists</p>	<p><b>50</b> countries of operation with Global Headquarters in Saudi Arabia</p>	<p><b>5</b> key geographies with innovation hubs in the Middle East, the United States, Europe, Southeast Asia, and Northeast Asia</p>	<p><b>12,540</b> patent portfolio filings</p>
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## SUSTAINABILITY IN OUR VALUE CHAIN

<p><b>UPSTREAM</b></p> <p>Lower-carbon or renewable feedstocks</p>	<p><b>OPERATIONS</b></p> <p>Resource efficiency and energy-reduction projects; operational excellence</p>	<p><b>CUSTOMERS</b></p> <p>Materials that enable lower energy for processing</p>	<p><b>USE PHASE</b></p> <p>Energy savings or reduced material to meet consumer needs</p>	<p><b>END OF LIFE</b></p> <p>Chemistry to enable recycling; developing technology to promote circular economy</p>
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## OUR CORE MARKETS

<p><b>3<sup>RD</sup></b> 3<sup>rd</sup> largest chemical company with 7 core markets</p>	<p><b>CLEAN ENERGY</b></p>	<p><b>MEDICAL DEVICES</b></p>	<p><b>PACKAGING</b></p>	<p><b>CONSTRUCTION</b></p>
	<p><b>TRANSPORTATION</b></p>	<p><b>ELECTRICAL AND ELECTRONICS</b></p>	<p><b>AGRI-NUTRIENTS</b></p>	

## CHAIRMAN'S WELCOME



This year, SABIC continued to invest in products that meet society's changing needs while enabling the growth of the global economy and helping meet emission targets across their life cycles.

**DR. ABDULAZIZ SALEH ALJARBOU**

Chairman

These sustainable investments will bear fruit for all of our stakeholders in the future, and have made 2019 another step in our journey to become the preferred world leader in chemicals by 2025.

The theme of this report, *Toward a Circular Future*, shows how important the circular economy – one where renewables, resource conservation, and waste reduction can, in combination, benefit businesses while simultaneously protecting the environment – is for SABIC. We are driven by concern for plastics in the environment, the search for new ways to reuse and re-purpose materials, and a desire for effective regulations, especially in packaging. These priorities have led to investments in circular product-solutions and our ability to accept chemically recycled feedstock.

We are delighted to be a founding member of the Alliance to End Plastic Waste, a new, non-profit organization, consisting of global chemicals and plastics companies dedicated to this matter. We have taken a lead in addressing the impact of plastic waste, both through corporate investments and through the ingenuity of our people.

At SABIC, sustainability guides growth and aids alignment with mega-trends in society, the environment, and the economy. This year, we made a strategic decision to move our Sustainability department into our Technology and Innovation function. The move will accelerate innovation for process technologies and product development and will help meet customer demands and society's expectations for sustainability solutions.

The year was characterized by rapidly changing regulations, technology disruption, market volatility, and evolving customer demands. We continued to approach these challenges with an open and critical mind, confident in the knowledge that uncertainties can lead to innovative thinking and eventually opportunities in the long term. Financially, a slowdown in global growth, rising economic uncertainty, global market shifts, volatile prices, and geopolitics made the latter part of the year challenging and we expect that these trends will continue to impact our bottom line into 2020. At the same time, our transformation strategy has helped us be prepared to meet these challenges in 2020 and beyond.

In Saudi Arabia, we streamlined our operations, merging Sadaf and Petrokemya to create additional value and enhance competitiveness.

The need for more ambitious targets to realize climate action goals are constantly being underlined. Accordingly, the circular economy is receiving more global attention and support. At SABIC, we see the circular economy as a business opportunity that strengthens our sustainability commitment.

Business impacts from climate-related regulations were most significant in Saudi Arabia and Europe. In Saudi Arabia, progress was driven by an industrial energy-efficiency program, whereas in Europe, regulations were the key driver. We will continue to expand resources and expertise to meet our operational-efficiency targets, but making progress is becoming increasingly challenging due to project complexity and rising costs.

In the long term, the global chemicals industry will need to adjust to an environment increasingly affected by climate and a public that constantly demands higher environmental standards, greater accountability and stricter enforcement of regulations. While this is a challenge for the industry, it is also an exciting opportunity for new innovations, efficiencies and lower emissions. We will need to transition to a higher percent of renewables in our energy mix, which could also bring the benefit of reducing operating costs. The most effective opportunities for progress in these areas may be with new mega-projects – where the newest innovative technology can be integrated from the earliest stages of design.

As we prepare for the future, SABIC will never lose sight of the foundations of our culture that have brought us so far: safety, integrity, and governance. At SABIC, the safety of our people and communities always comes first – this is a consistent rule that can never be changed.

EHSS is central to everything we do. Our EHSS Executive Council meets biannually to monitor performance, establish milestones, and review strategic programs and company initiatives. Over the course of 2019, we invested in a number of strategic initiatives to improve our EHSS performance, as we have outlined in this report.

We are committed to investing in the communities where we operate and developing innovative programs to meet community needs and better people's lives. We have invested around US\$ 900 million in CSR initiatives, developing long-term mutually beneficial partnerships with local communities.

We are fully aware that we would not be where we are today without the hard work and vision of our people. We will only be able to fulfil our vision of becoming the preferred world leader in chemicals by creating a performance culture that encourages continuous learning, open dialogue, and career development. Throughout the year, we remained focused on developing our people into outstanding performers to help us excel as a world-class manufacturer delivering innovative solutions for our customers.

Sustainability is needed more than ever in companies, governments, and the not-for-profit sector... at SABIC, sustainability guides growth and aids alignment with mega-trends in society, the environment, and the economy.

Looking forward, while growing populations support our long-term growth, they also put more pressure on finite global resources. Fortunately, our products and solutions bring energy savings and higher performance to virtually every other industry and, in doing so, increase standards of living. Globally, our tireless employees are the driving force behind this immensely important work, and I would like to thank you all for bringing 'Chemistry that Matters™' to our diverse stakeholders.

While this report covers the year 2019, COVID-19 has changed the world in dramatic and unprecedented ways since then. This publication comes at a moment when it is important for us all to pause and be reminded of the interconnectedness of all people on this planet. COVID-19 respects no borders and it will undoubtedly change the way companies do business and interact with each other, our stakeholders and our environment. At SABIC, we are committed to standing in solidarity with the business community and world leaders to heed the call to action. While much is uncertain, we will remain steadfast in continuing our leadership and commitment to the stakeholders and communities we serve.

## VICE CHAIRMAN AND CEO'S STATEMENT



Sustainability is core to SABIC's business because it helps us to create materials that responsibly benefit the global economy, maximizes our positive impact on customers and society, and inspires innovation, technology direction, and operational efficiency.

**YOUSSEF ABDULLAH AL-BENYAN**  
Vice Chairman and Chief Executive Officer

Sustainability lays the foundation for many years of growth for us and for future generations, even as we advance toward achieving our strategic goals.

This year, SABIC witnessed excellent progress and we continued to recognize global concerns for creating a more sustainable society. Changing customer needs, intensified environmental activism, shifting regulations, and developments in energy markets increased sustainability opportunities in most of our operating areas.

To meet these challenges head on and continue towards the goals set out in SABIC's 2025 vision, we consistently make sure that our resources are allocated to the most material issues. We refreshed our materiality focus in 2018 and moved to execution this year. Materiality analysis creates laser focus on the risks and opportunities most important to our stakeholders and business success. We defined metrics, set step-change targets, and built internal processes – and we adjusted the sustainability report structure and content to align with these priorities.

Demand for circular solutions increased this year, as did opportunities for renewable energy and regional climate regulations. Expressions of concern about plastic waste in the environment also grew globally, especially packaging. To adapt to the transition to renewable energy, technology teams worked to evaluate future process changes to take advantage of the lowest-cost energy sources.

In 2019, we introduced TRUCIRCLE™, an initiative that encompasses our circular materials and technologies. These circular solutions include our flagship certified circular products from the chemical recycling of mixed plastic waste, our certified bio-based renewable products, mechanically recycled products and products designed for recyclability.

Growing global customer demand for circular solutions has already influenced our investment decisions. In Europe, a leading chemical recycling mega-project that will turn mixed plastic waste back to the original polymer is on track. With funding approved, the facility is expected start up in 2021. We have circular economy strategies that will lead to other industry-leading projects in all our global regions.

Operationally, our manufacturing affiliates stepped up adoption of Operation Clean Sweep-Blue, an industry program for systems and infrastructure that will stop plastic reaching the environment. With the goal of achieving the full re-use, recycle, and recovery of all plastics packaging by 2040, this program is a timely one to which we are fully committed.

In 2011, we set ambitious targets to reduce our greenhouse-gas, water, and energy intensities by 25 percent, and our material-loss intensity by 50 percent, by 2025. It has been a challenge to stay on track for the first three of these targets in Saudi Arabia. Competing priorities for capital spending and operational issues such as extended shutdowns and flaring events at several large sites led to unforeseen complications.

We can, however, further enhance performance by focusing on the development and execution of our many sustainability projects – which will have the added benefit of reducing our costs over the long term. Fortunately, improvement in some target areas automatically benefits others, with energy improvements leading to lower greenhouse-gas emissions being a prominent example.

Especially during times of change, we are meticulous about safety with no fatalities as our target. However, this year, our environment, health, safety, and security (EHSS) performance overall has not reached the extremely high bar set in previous years. To reverse this trend and build on our robust EHSS culture, we will get back to basics: learning from minor issues, addressing concerns immediately, and showing visible leadership.

Approved and launched in 2019, SABIC Young Leaders Council (SYLC) is a platform that empowers our young leaders to interact directly with the CEO and Executive Leadership, to contribute toward shaping future business decisions and organizational culture. SYLC has prioritized 10 key focus areas, including Living Sustainably and Future Workspace, and activities fit in parallel with existing initiatives and projects. The initiative promotes engagement and showcasing of thoughts and ideas that go beyond KPIs, and contributes to SABIC's commitment to exploring what matters to our multigenerational workforce.

I would like to end with an example of how the 'Chemistry that Matters™' at SABIC can be a beacon of sustainability performance for our industry peers. This year, we earned the prestigious Compliance Leader Verification from the Ethisphere Institute, a global leader in defining and advancing standards of ethical business practices. The recognition, which followed a comprehensive review, evaluation, and validation of our Ethics and Compliance program, shows our leadership in this field. The recognition proves SABIC can achieve remarkable results, and I hope it inspires my colleagues – inside and outside of SABIC – to create a more secure environment for business and a more sustainable world.

Changing customer needs, heightened activism, shifting regulations, and developments in energy markets – to name a few global trends – increased sustainability opportunities and risks in most of our operating areas.



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# STRATEGY

SABIC's sustainability program guides our ambition to be the world's preferred supplier of chemicals by 2025. Since 2009, we have improved our operational performance, identified significant sustainability and business challenges, and fostered collaboration to accelerate positive change. We achieve our sustainability strategy through clear targets and a comprehensive internal governance structure.

Our strategic initiatives focus on the top six most material areas – those with the highest impact to our business and stakeholders. In 2018, we refreshed our materiality process, determining six core priorities and nine new areas to drive business progress. Global trends and changing societal expectations influenced this shift in material priorities. Focusing on these areas will drive our performance and enable us to thrive in tomorrow's world.

SABIC is a global chemicals company with a strong growth agenda based on product and feedstock diversification. Our growth has created opportunities in areas such as ending plastic waste, the circular economy, clean energy, infrastructure, efficient transportation, and greater connectivity across geographies. Ever-changing global markets and mega-trends in the wider society have required us to take an agile business approach. As a result, we are able to act upon increasing interest in the circular economy, information demands from stakeholders, concerns about plastic waste, and climate action.

Implementing the circular economy improves material efficiency by decreasing the quantity of material required to meet society's need – both internally and in the product value chain.

We lead in chemical recycling, an important circular-economy opportunity. Implementing the circular economy improves material efficiency by decreasing the quantity of material required to meet society's need – both internally and in the product value chain. In addition, our "solution space" of products, many with carbon-emissions savings throughout their life cycles, helps to enable a sustainable world while satisfying customers and increasing profitability.

This year, SABIC took a number of actions to advance the circular economy. We unveiled our TRUCIRCLE™ portfolio with our best closed-loop solutions. And we developed a semi-commercial, pre-treatment facility to increase our supply of chemically recycled feedstocks. We also achieved certification of our circular and renewable solutions.

While we are taking bold steps, most regions have challenges in the existing external-recycle infrastructure. We would like to get more post-consumer materials back, but this requires a lot of energy and financial resources. This year, we developed our ELCRIN™ iQ portfolio of compounded resins, formed from recycled polyethylene terephthalate (rPET), which upcycles discarded rPET – usually single-use water bottles – into higher-value materials for consumer electronics, automotive, and medical applications. We also unveiled a new LEXAN™ polycarbonate, the industry's first to be based on certified renewable feedstock, which has a 63 percent lower carbon footprint than fossil-fuel-based polycarbonate production.

Innovations such as these require close collaboration with customers to create circular value chain solutions that meet their evolving needs.

Over the last five years, we have completed over 170 initiatives with a total investment of more than US\$1.2 billion to meet these targets.

Climate change action impacts our operations, with a focus on carbon dioxide emissions, energy intensity and renewable energy. We mitigate risk for mega-projects by embedding sustainability into every project stage-gate. Resource efficiency and health and safety, operational excellence and governance and integrity improve our long-term stakeholder value.

To increase operational efficiency, our manufacturing affiliates in Saudi Arabia are committed to targets set by the Saudi Energy Efficiency Program (SEEP). Over the last five years, we have completed over 170 initiatives with a total investment of more than US\$1.2 billion to meet these targets. The results will be measured by the SEEP Audit Committee in early 2020.

SABIC has adopted the United Nations' Sustainable Development Goals, and our materiality topics are designed for progress in areas we can impact the most. With operations in 50 countries, we can promote these goals throughout our global footprint. While doing so, we can bring economic advancement and good jobs to key markets and growth areas.



**MESSAGE FROM DR BOB MAUGHON**  
**EXECUTIVE VICE PRESIDENT,**  
**SUSTAINABILITY, TECHNOLOGY**  
**AND INNOVATION, SABIC**

Sustainability issues such as resource and energy efficiency, climate change, and plastics end-of-use pose a risk to our existing business and value chain. However, SABIC views these issues as an opportunity, not a threat, because if we are resourceful, we can adopt breakthrough process, product, and application technologies – helping to solve some of the world's greatest challenges while becoming a better business. But the benefits of sustainability do not stop at innovation. By putting sustainability at our core, our governance and transparency have improved, as have inclusion and diversity, suppliers have raised their standards, the environment got cleaner, and our bonds with communities grew – among many other benefits. A leader in sustainability will be a leader in the industry – and this is a goal that SABIC continues to pursue.

# STRATEGY CONTINUED

## SPOTLIGHT: SDG ROADMAP

In 2015, the United Nations adopted the Sustainable Development Goals (SDGs): 17 goals to be met by 2030 to address the world's shared challenges of poverty, inequality, climate change, environmental degradation, prosperity, and peace and justice. SABIC has joined leading global companies in committing to action. We chose, based on stakeholder input, the 10 goals that are most relevant to our business, aligned to our sustainability, and where we can make the greatest impact. We developed the Sustainability Development Goals Roadmap with our contribution to the goals and future opportunities, ensuring that they remain central to our business strategy. The roadmap is guided by a materiality analysis, forms part of SABIC's 2025 strategy, and supports our overall sustainability program.

## 17 GOALS TO TRANSFORM OUR WORLD



The SDGs provide us with a lens through which to translate global needs and ambitions into business solutions.

Through our efforts to embed the environmental, social, and economic dimensions of sustainability into our DNA – and strategically align our business with the SDGs – we are more agile, cost-efficient, and prepared for the transformational changes that society needs. We see unprecedented possibilities for innovation and growth with pioneering technologies that can reshape our operations. We are also developing more open, creative collaborations with other companies, NGOs, academia and governments to better meet the expectations of our customers and stakeholders. By continually examining our achievements and opportunities for improvement, we can improve performance and bring innovations to the market that can help solve the world's most difficult challenges.

## CURRENT AND FUTURE IMPACT

- 
**ZERO HUNGER**  
 Food packaging; agri-nutrients; CSR focus area of water and sustainable agriculture.
- 
**CLEAN WATER AND SANITATION**  
 Pipe solutions; water intensity target; CSR focus area of water and sustainable agriculture.
- 
**AFFORDABLE AND CLEAN ENERGY**  
 Energy intensity target; renewable feedstocks; clean energy solutions.
- 
**DECENT WORK AND ECONOMIC GROWTH**  
 Saudi employment and innovation; sharing expertise; influencing national policy.
- 
**INDUSTRY, INNOVATION AND INFRASTRUCTURE**  
 Research and development; sharing benefits with local businesses.
- 
**SUSTAINABLE CITIES AND COMMUNITIES**  
 Sustainable solutions for electric vehicles and cities, including building insulation.
- 
**RESPONSIBLE CONSUMPTION AND PRODUCTION**  
 Natural resource optimization; circular economy opportunities; sustainable procurement.
- 
**CLIMATE ACTION**  
 Mitigation of climate change associated risk; leading role in Saudi Arabia.
- 
**LIFE BELOW WATER**  
 Collaborating to help solve marine litter and ocean acidification.
- 
**PARTNERSHIPS FOR THE GOALS**  
 Global partnerships for sustainable development

[https://www.sabic.com/assets/en/Images/Sustainable-Development-Goals-2019-Roadmap\\_tcm1010-21094.pdf](https://www.sabic.com/assets/en/Images/Sustainable-Development-Goals-2019-Roadmap_tcm1010-21094.pdf)

# MATERIALITY

SABIC's sustainability strategy is guided by a materiality analysis that targets resources to the most important issues for stakeholders and business success. In 2018, we refreshed our 2013 materiality process with an evidence-based approach to determine our priorities for the next five years.

The 2018 materiality refresh built upon our qualitative approach by using evidence to challenge historical priorities. The robust process explored internal and external stakeholder needs, major trends, benchmarks, and business impacts to determine areas for action. We considered all three dimensions of sustainability – economic, social, and environmental – in addition to global reporting guidelines and indices, giving attention to sector priorities.

Sustainability is very broad. The materiality priorities enable us to focus on the most relevant issues to SABIC – those with the highest external stakeholder impact and internal business value. Internal engagement was crucial to develop new metrics to drive progress through step-change targets, with one significant change requiring support from the relevant functions and businesses.

Our path from materiality refresh to approved step-change targets was enabled by our governance structure. First, the Sustainability Council approved six materiality focus areas, then the Sustainability Steering Committee approved recommended targets. This year, both bodies approved the protocols and actual targets to prepare for assurance readiness.

SABIC continues to expand portfolio sustainability assessment (PSA) to better understand the sustainability benefits of its products. As more solutions undergo analysis, we will create comprehensive targets for revenue from those with the greatest sustainability benefits.

## STEP-CHANGE TARGETS

Dimensions	Units	Base year	Target year
<b>Resource efficiency</b>			
Energy intensity (GJ/t sales)	25% reduction	2010	2025
Material-loss intensity (t/t sales)	50% reduction	2010	2025
Absolute waste reduction	Lower as a percentage	2010	2025
Flaring	65% reduction	2010	2025
Water intensity (m <sup>3</sup> /t sales)	25% reduction	2010	2025
<b>Climate change</b>			
Greenhouse-gas intensity (tCO <sub>2</sub> e sales)	25% reduction	2010	2025
Renewable energy	4 GW installed capacity (12 GW by 2030)	2010	2025
<b>Circular economy</b>			
Sales of circular materials (kt)	200 kt circular	2019	2025
<b>EHSS/Product stewardship</b>			
Fatalities	Zero every year	2010	2025
<b>Governance &amp; integrity</b>			
Employee integrity	Annual improvement	2017	2026

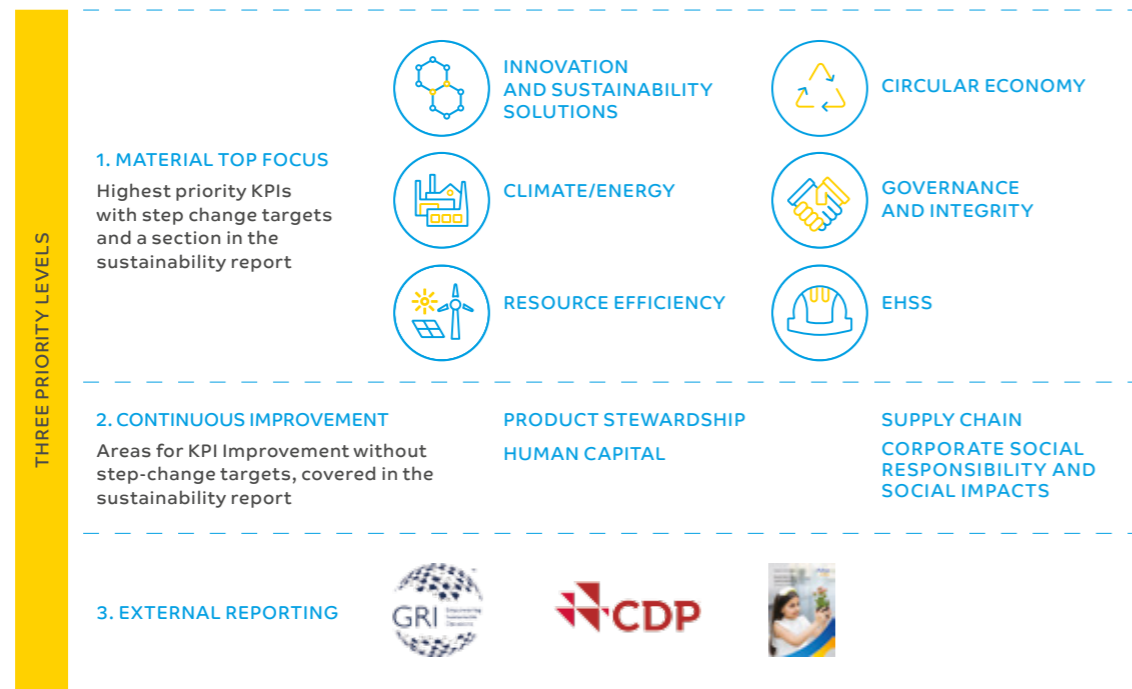


# MATERIALITY CONTINUED

## 2019 MATERIALITY RESULTS

The materiality results reflect increasing pressure from and opportunities relating to climate change and the circular economy: areas that are expected to drive transformational shifts in the chemical industry. The resulting key performance indicators (KPIs) target renewable energy, circular plastics, and the reduction of impacts through waste and flaring. The targeted KPIs will drive our progress through clear goals and measurable results.

### MATERIALITY CHANGES FOR 2019 SUSTAINABILITY REPORT



# LOOKING FORWARD

## MATERIALITY

We will continue to advance on each materiality priority, developing step-change goals built around strong protocols and data-collection – using a tracking mechanism to ensure progress. The priorities will inform our business and functional strategies, and each of our four operating regions will adapt them to capture unique local opportunities. The Sustainability Council, committee chaired by the Vice-Chairman and CEO, is supported by 10 senior executives.

## CIRCULAR ECONOMY

On the circular economy, SABIC has embraced the ground-breaking TRUCIRCLE™ initiative. Its solutions encompass the company's circular materials and technologies, including certified circular polymers from the chemical recycling of mixed plastic waste, certified bio-based renewable polymers, mechanical recycled products, and design for recyclability. SABIC is determined to increase the amount of circular and certified products it processes in Europe to 200 kilotons by 2025, in line with an EU Commission pledge. Building on this pledge, we will set a target in 2020 for global circular and certified products by 2030. In Saudi Arabia, SABIC is enabling the

government to fulfill the waste-management enables objectives of Saudi Vision 2030, including commitments to reduce landfill waste and increase collection and recycling. Strategic alignments with Saudi Investment Recycling Company, which is wholly owned by the Saudi Arabia Public Investment Fund, will create new opportunities in waste management.

## CLIMATE

As our Saudi manufacturing affiliates work to meet the goals of the Saudi Energy Efficiency Program, we will continue to invest in breakthrough technologies for performance in addition to existing systems, integrated cogeneration, digitalization, and others, to achieve our targets.

## SUSTAINABLE DEVELOPMENT GOALS

After selecting the 10 most relevant Sustainable Development Goals (SDG) to our business, we assessed initiatives across SABIC, uncovering 20 impact opportunities with the greatest potential for business growth. To provide direction for our SDG journey, the opportunities have been clustered into four themes.

### OUR SUSTAINABLE DEVELOPMENT GOALS JOURNEY IN FOUR THEMES

<p><b>1. INNOVATIVE SOLUTION DESIGN</b></p> <p>Embed sustainability in product and process innovation</p>	<p><b>2. CLIMATE CHANGE</b></p> <p>Incorporate climate resilience across our operations</p>	<p><b>3. CIRCULAR ECONOMY</b></p> <p>Reduce resilience on the linear increase in resources demand for our economic growth</p>	<p><b>4. PARTNERING</b></p> <p>Foster the vital multi-stakeholder partnerships to advance the SDGs</p>
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SABIC will communicate regularly and transparently to all stakeholders on the progress we make on these themes – and the related impact opportunities – to enhance our brand and to build reputation and trust.

# STAKEHOLDER ENGAGEMENT

In our efforts to lead our business and industry to a sustainable future, we recognize the broad range of impacts we have on a diverse array of stakeholders. To use our business for good, we commit to working with key stakeholders in the 50 countries where we operate.

### STAKEHOLDER ENGAGEMENT: FOUR MAIN OBJECTIVES

- Identify primary stakeholders and sources of accountability.
- Understand our effect on stakeholders and their priorities.
- Discover new ways to collaborate and create value.
- Establish best tools for stakeholder engagement.

We weave stakeholder engagement throughout our sustainability program, and our leaders take responsibility for this engagement. We have a detailed discussion of this stakeholder-engagement strategy, and a list of key stakeholders, in the technical supplement on the SABIC website. Additional information on engagement with employees, local communities, and suppliers can be found in the Engagement and Collaboration section.

### WBCSD ENGAGEMENT

Since 2011, SABIC has participated in the World Business Council for Sustainable Development (WBCSD), a CEO-led organization of more than 200 global businesses working together to accelerate the transition to a sustainable world. We took part in multiple working groups this year with experts from the chemical industry and key downstream businesses.

SABIC's 2018 Sustainability Report, **Making a Difference**, was highlighted in WBCSD's **Reporting Matters** publication as a good example of strategy – clearly articulating the ways our materiality process informs our overall sustainability priorities and approach.

In addition to our work with the WBCSD, we drive sustainability engagement in China through participation in local chemical-industry associations including the Association of International Chemical Manufacturers and the China Petroleum and Chemical Industry Federation, which focus on proactively monitoring and influencing emerging sustainability-related policies. We are also active participants in the China Business Council on Sustainable Development, and participate in discussions on potential solutions to develop a model low-carbon-emission city. In 2019, we strengthened our relationships with Chinese recycling-industry associations to better understand the single-use-plastics regulatory landscape and policy developments. These relationships will strengthen SABIC's leadership for circular economy issues in the Chinese chemical industry and value chain.

### GOVERNMENT ENGAGEMENTS

SABIC is a trusted partner of the Saudi government, and provides support for Saudi Arabia's climate discussions at the United Nations. We have showcased SABIC's sustainability projects and solutions at the UN Conference of Parties, and support the UN's Sustainable Development Goals. In addition, we support the Saudi government in international discussions around carbon sequestration and developing a circular economy for CO<sub>2</sub>. In Europe, we work with the European Commission and the industry group PlasticsEurope to advance the chemical recycling of mixed plastic waste and close the loop on plastics.

# ETHICS AND COMPLIANCE

SABIC has a long-established practice of establishing, maintaining, and enforcing standards of behavior. Company-wide policies, such as the Code of Ethics, are established by executive management and reviewed and approved by board committees.

Internally, every employee is personally responsible for our corporate integrity. Employees have several channels to raise any type of compliance concern. These include managers, the Human Resources and Legal departments, the intranet "Speak Up" icon, the email address integrity@sabic.com, and regional compliance helplines. Where legally permissible, employees can raise concerns anonymously. SABIC strictly prohibits retaliation of any kind against anyone raising or helping to address a compliance concern in good faith.

### INTEGRITY CULTURE

In 2017, the Compliance team conducted a Global Integrity Assessment – through an external party, the Ethisphere Institute – to measure SABIC's integrity culture. After analysis, the team, together with senior leadership, developed a plan to engage every employee. Since then, the focus has been on improving ethical leadership and ensuring that employees do not feel pressure to compromise the Code of Ethics, law, or any other company policy for business objectives. A second survey in 2020 will measure progress.

In another initiative this year, the Legal team held focused sessions in various geographies to foster an open dialog about how, based on local employee feedback, Compliance and Human Resources can better work together to support a strong culture of integrity.

In October, SABIC was awarded the prestigious "Compliance Leader Verification" status by the Ethisphere Institute, a global leader in defining and advancing standards of ethical business practices. The recognition follows Ethisphere's comprehensive independent review, evaluation, and validation of SABIC's ethics and compliance program. The status permits SABIC to display the "Ethisphere Compliance Leader" verification logo in recognition of its excellent program and culture of integrity.

### EXTERNAL LEADERSHIP

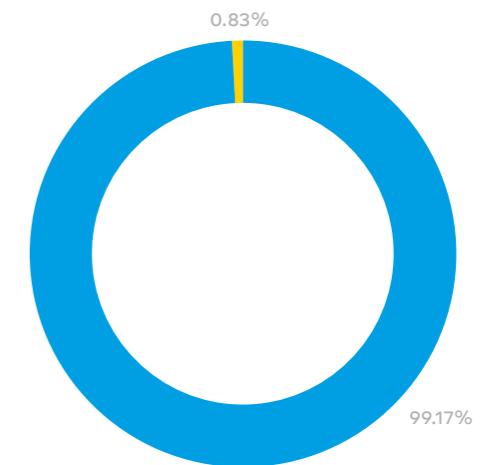
This year, SABIC hosted a major conference in Riyadh under the theme "Promoting Integrity and Transparency for Growth." The event, attended by corporations, government officials, and non-governmental organizations, provided participants with an opportunity to connect in the interest of elevating corporate integrity and compliance practices.

### COMPLIANCE INVESTIGATION DATA

As of December 31, 2019	Compliance concerns raised*	Incidents closed*	Violations found*
Saudi Basic Industries Corporation and its wholly owned affiliates	157	135	41

\* Assured by KPMG.

### COMPLIANCE TRAINING DATA AS OF DECEMBER 31, 2019\*



■ Completed (330,328) 99.17%

■ Overdue (23,647) 0.83%

\* Assured by KPMG.



# ETHICS AND COMPLIANCE

## CONTINUED

### HUMAN RIGHTS

We want to work with suppliers who share our values and expect them to conduct business in an economically, environmentally, and socially responsible way. As such, we vet all suppliers on their commitment to human rights. Every supplier receives a questionnaire when they register in our Supplier Lifecycle Management system indicating our requirement to follow labor laws and respect the rights of workers, including no forced or child labor. We flag any issues with supplier responses and make appropriate purchasing decisions based on compliance.

### SUSTAINABILITY GOVERNANCE

This year, we moved our Sustainability department to the Technology and Innovation function, helping to further accelerate our adoption and development of new sustainable products. The move builds upon our successful efforts in recent years to weave sustainability throughout our governance and corporate culture.

SABIC announced the appointment of Dr. Bob Maughon as the new Executive Vice President for Sustainability, Technology and Innovation, effective April 23, 2019. Dr. Maughon joins SABIC after an extensive career in executive transformational positions in petrochemicals. He brings with him a strong background in corporate venturing, research and development, strategic planning, and risk management.

Making our sustainability communications frequent and clear inspires employees and embeds sustainability into the company culture. As SABIC, sustainability is led by our Sustainability Council, which is responsible for the overall performance of the dimensions of sustainability, defining our sustainability vision and goals, and making final decisions on recommendations developed by the Sustainability Steering Committee. Sustainability is included in the scope and title of the Board of Directors Risk Committee, emphasizing its importance to our business as a whole. Key sustainability decisions and progress are presented and discussed three times each year to the Risk and Sustainability Committee.

Our internal businesses and functions are ultimately responsible for leading progress on the goals created by the Sustainability Council. Each organization appoints a sustainability champion to lead the process, and those leaders work alongside our Sustainability department in expert sub-teams to advance SABIC's sustainability process and strategy.

An example of the real impact of this structure is in our recent materiality refresh to determine SABIC's most strategic priorities and to set step-change

targets to drive change. Sustainability gathered input from operating regions and external stakeholders to determine the top 10 priorities. Steering Committee members approved the list and sponsored a deep dive on each topic, with evidence and recommendations provided through Sustainability-led, cross-functional global teams.

The final recommendations were reviewed and approved by the Steering Committee and then the Sustainability Council, and presented to the board committee in early 2019. The step-change metrics to implement these materiality topics were then reviewed and approved by the council.

### SUSTAINABILITY GOVERNANCE



# PERFORMANCE SUMMARY

Most material key performance indicators	Unit	2015	2016	2017	2018	2019
<b>Resource efficiency</b>						
Energy intensity	GJ/t product sales	17*	17*	17*	17*	17*
Water intensity	m <sup>3</sup> /t product sales	2.6*	2.6*	2.7*	2.6*	2.6*
Material-loss intensity	t/t product sales	0.086*	0.072*	0.078*	0.070*	0.070*
Flaring reduction since 2010 <sup>2</sup>	Percent	40	55*	43*	43*	48*
CO <sub>2</sub> utilization <sup>1</sup>	Million t	3.3	3.6*	3.5*	4.0*	3.4*
Absolute waste reduction (new)	Percent	Will be reported in 2020				
<b>Climate change</b>						
Greenhouse-gas emission intensity	tCO <sub>2</sub> eq/t product sales	1.25*	1.24*	1.23*	1.22*	1.17*
Renewable energy (new)	GW	Will be reported in 2020				
<b>Innovation and sustainability solutions</b>						
Total patent portfolio	Number	10,960	12,191	11,534	11,738	12,540
Sustainability solutions	Cumulative number	68	78	82	82	88
<b>Ethics + Integrity</b>						
Compliance and integrity concerns raised <sup>2</sup>	Number	123*	94*	114*	152*	157*
Incidents closed <sup>2</sup>	Number	103*	94*	97*	119**	135*
Violations found (addressed) <sup>2</sup>	Number	56*	52*	58*	42**	41*
Training completion <sup>2</sup>	Percent	98*	99*	99*	99*	99*

### Environment and Social Governance (ESG) metrics

<b>Environment, health, safety and security</b>						
EHSS rate <sup>3</sup>	Incidents/200,000 hours worked	0.48*	0.63*	0.50*	0.43*	0.57*
Total Recordable Incident Rate	Incidents/200,000 hours worked	0.13*	0.14*	0.12*	0.14*	0.14*
Occupational Illness Rate	Illnesses/200,000 hours worked	0.000*	0.002*	0.014*	0.003*	0.008*
Fatalities	Number	0*	14*	1*	0*	0*
Process safety total incident rate	Incidents/200,000 hours worked	0.01*	0.02*	0.01*	0.011*	0.03*
Hazardous substances released	Metric tons (Mt)	192*	61*	105*	89*	224*

### Human capital

Women in the workplace	Percent of workforce	7.9	7.7	7.2	7.3	7.5
Learning programs	Participants	30,835	31,062	24,944	22,222	15,388

### Social impacts and community relationships

Community giving	Million US\$	53.9	46.4	57,468	36,701	15.6
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### Supply chain

Safety and Quality Assessment System – Liquids	Percent of suppliers	100	100	100	100	100
Safety and Quality Assessment System – Solids	Percent of suppliers	–	69	93	91	93

\* Assured by KPMG.

\*\* Adjusted for comparison purposes.

<sup>1</sup> Flaring reduction calculations are based on reduction of greenhouse-gas emissions.

<sup>2</sup> Compliance data are reported for the 23,500 employees of Saudi Basic Industries Corporation and its wholly-owned affiliates, but not for employees of SABIC's non-wholly owned manufacturing joint ventures (or affiliates) in the Kingdom of Saudi Arabia. Note this is a severity-weighted rating.



# INNOVATION AND SUSTAINABILITY SOLUTIONS

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# OUR APPROACH

SABIC continually innovates for more sustainable products and operations – and seeks to pass these benefits on to customers. We advocate for the circular economy because closing the loop enables society to keep the many benefits of plastic while protecting the planet. We collaborate with our peers in the petrochemical industry, external experts, and global policymakers to advance sustainable business practices and reduce our global carbon footprint.

### 2019 HIGHLIGHTS

- Launched the TRUCIRCLE™ initiative, showcasing innovative new solutions to accelerate the circular economy for plastics and to help manufacturers reduce plastic waste.
- Developed a new facility in Geleen, the Netherlands, that will increase the amount of pyrolysis oil we can generate from plastic waste. We expect the plant to be fully operational in 2021.
- Began construction of a ULTEM™ resin facility in Benoi, Singapore. When finished in 2021, it will increase the global supply of this innovative product by 50 percent for our customers in Asia.
- Unveiled a new LEXAN™ polycarbonate, the industry's first to be based on certified renewable feedstock.
- Earned the "Protect and Sustain Certification" from the International Fertilizer Association for SABIC and its affiliates, SAFCO and Sabtank, recognizing our product stewardship in agri-nutrients.
- Introduced LNP™ ELCRIN™ iQ polybutylene terephthalate (PBT) compounded resins, produced from recycled polyethylene terephthalate (rPET) waste, offering a reduced environmental footprint over virgin PBT resin in electrical and automotive.
- Qualified six new sustainability solutions, bringing SABIC's sustainability solutions portfolio to 88.<sup>1</sup>

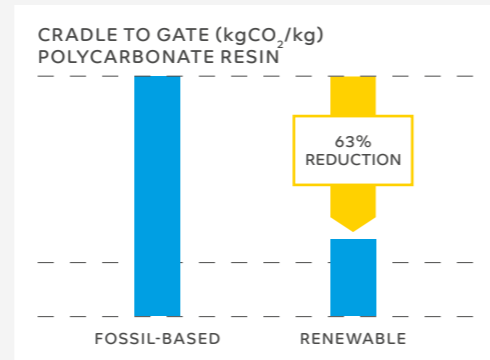
<sup>1</sup> Advisory panel review pending.

### CASE STUDY

#### LEXAN™ POLYCARBONATE CERTIFIED RENEWABLE FEEDSTOCK

As we work to reduce our product impacts, this year, in an industry first, we unveiled a new LEXAN™ polycarbonate based on certified renewable feedstocks. The product is a result of our drive to reduce CO<sub>2</sub> emissions, fossil-resources use, and customer impacts. The ISO critically reviewed Life Cycle Analysis of LEXAN™ polycarbonate shows a 63 percent lower carbon footprint than fossil resource-based polycarbonate. The "cradle-to-gate" with End-of-Life scenario, shows a carbon footprint reduction of 57 percent compared to fossil-based polycarbonate.

The LEXAN™ polycarbonate is our latest effort to develop polymers from renewable feedstocks, such as oil byproducts from the pulp and paper industry. Collaborations such as these help to build supply and demand for low-carbon polymer products and to lower our climate impacts. We produce the new material in Bergen op Zoom, the Netherlands, and will expand production and availability in the future.



# OUR PERFORMANCE

### PERFORMANCE METRICS

TOTAL PATENT PORTFOLIO	NEW PATENT FILINGS IN 2019	TOTAL SUSTAINABILITY SOLUTIONS
12,540 <sup>1</sup>	372	88

<sup>1</sup> We ended 2019 with an active patent portfolio of 12,540, representing a marginal increase over last year. With the filing of 372 new original patent applications in 2019, SABIC continued to take a more critical view of the added-value contributions of the intellectual-property (IP) estate and new filings. This resulted in not pursuing more than 1,200 patents or patent applications, and in saving about US\$4 million in patent maintenance fees and costs. Further, the drop in new patent filings is primarily because of the strategic decision to file patents on projects of higher-return value, importance to the business, and advanced stage. SABIC utilizes the IP estate to support a significant increase of licensing of its technologies.



Our technology and innovation activities are supported by state-of-the-art technology centers located all over the world.

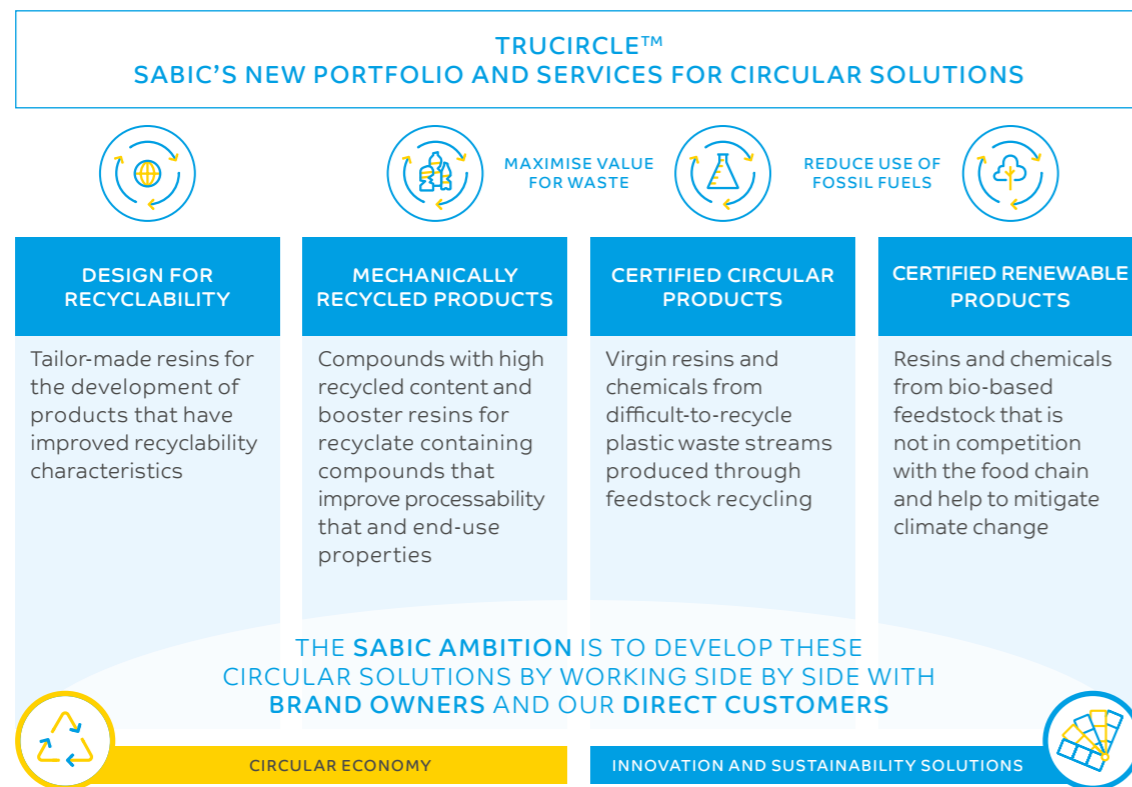
# CIRCULAR ECONOMY

Sustainability is the defining issue of our time – it is crucial to take real action to address our planet’s critical challenges. In the past year, SABIC made several landmark decisions to advance the circular economy and close the loop on waste for the good of our business and the planet.

## A GLOBAL CHALLENGE

Today we face some of the biggest sustainability challenges mankind has ever faced – but we are the first, and possibly the only, generation with a chance to solve them. Plastics are vital to day-to-day life, and modern society would be impossible without them. But used plastics in waste streams pose significant

challenges to ecosystems around the world. SABIC is working on a vision to ensure that plastics are always reused and remade into new products. We collaborate upstream and downstream to achieve a total transformation of the value chain built around circular economy principles.



## TRUCIRCLE

SABIC has embraced the United Nations' Sustainable Development Goals (SDGs) and actively works to achieve them. At the 2019 K-Show in Düsseldorf, Germany, the world's largest tradeshow for the plastics and rubber industries, SABIC unveiled our new TRUCIRCLE™ initiative, which showcases our innovations to create a circular economy for plastics and helps manufacturers, brand owners, and consumers reduce plastic waste by adopting sustainable-material solutions.

TRUCIRCLE™ supports SDG 12, Responsible Consumption and Production, demonstrating our pledge to reduce waste wherever possible – both in our own operations and by encouraging global suppliers and customers to do the same. The initiative is built around four key principles:

- **Design for Recyclability:** Using tailor-made resins to develop products with better recyclability characteristics.
- **Mechanically Recycled Products:** Using compounds with high recycled content and booster resins, both of which improve recyclability and end-use properties.
- **Certified Circular Products:** Using feedstock recycling to create virgin resins from difficult-to-recycle plastic waste streams.
- **Certified Renewable Products:** Using bio-based feedstocks, sourced from outside the food chain, that help to mitigate climate change.

TRUCIRCLE™ is a significant milestone in our journey, but we are only just beginning. SABIC is moving forward with a new facility in Geleen, the Netherlands, that will increase the amount of pyrolysis oil we can generate from plastic waste. The plant, which we expect to be operational in 2021, will initially provide materials for SABIC's downstream collaborators. Over the longer term, we intend to rapidly scale up our supply of certified circular polymers to every global customer.

SABIC is working on a vision to ensure that plastics are always reused and remade into new products, and we collaborate upstream and downstream to achieve a total transformation of the value chain built around circular economy principles.

## THE JOURNEY SO FAR

We pioneer the way towards a circular economy, and we are closer than ever before in closing the loop on plastics. In the past year, we have achieved some significant milestones.

Following a 2018 agreement with UK-based Plastic Energy to supply pyrolysis oil feedstock for SABIC's petrochemical operations in Europe, in 2019 we teamed up with companies including Unilever, Vinventions, and Walki Group to bring products to market using SABIC's high-quality, certified circular solutions. Whether it is synthetic closures, food and personal-product packaging, or protective packaging, our products enable customers and brand owners to manufacture highest-quality applications without compromising on consumer safety or environmental and sustainability goals.

SABIC's TRUCIRCLE™ certified circular polymers are already being used in Unilever's fully recycled Magnum® ice cream tubs. These are made from a newly developed impact polypropylene (PP) for frozen foods, which requires high flow and high impact at low temperatures. Tupperware brands' reusable Eco Straw and Eco+ tumblers are now made from a lightweight, phthalate-free circular polypropylene polymer, helping consumers to reduce single-use plastic waste. Tea company Avoury also adopted a transparent plastic capsule body made of high-quality-feedstock recycled material, allowing it to establish a 360-degree recycling process, including a collection system for used capsules.

Our circular solutions reduce environmental footprint while preserving food quality and maintaining the recyclability of the product. Walki Group's reel-wrap food-packaging prototype is made using our certified renewable product, creating a 100 percent plant-based protective barrier solution.

Working with SIG, we created the world's only aluminum-free aseptic organic milk carton, coated with plant-based, certified renewable plastic. This solution, which is also in used in juice cartons from the Coolbest brand, is made to the same high specifications as existing fossil-resource-based polyethylene materials, allowing it to mesh seamlessly with current production processes while complying with food safety regulations.

Even amidst all these advances, we know there is so much more to be done. Only by continuing to collaborate with others and challenging ourselves will we be able to truly close the loop.



## COLLABORATION

SABIC’s position in the value chain gives us unparalleled opportunities to work with upstream and downstream customers to develop innovative solutions that advance sustainability in many industries.

We work with peers, customers, the broader value chain, and other external collaborators to develop new processes, products and sustainability-related standards to address emerging needs, such as efficiency and performance.

Long-term relationships with customers lead to better products with lower impact. For example, this year we collaborated with Unilever on closed-loop packaging. The company announced that by working with SABIC, its brands will achieve a commitment to a 50 percent lower virgin-plastic use by 2025.

SABIC actively engages in industry efforts to reduce plastic waste. From 2014 to 2018, we chaired the World Plastics Council, a global, industry-led effort to develop sustainable solutions to marine debris.

SABIC is a founding member of the Alliance to End Plastic Waste (AEPW), a nonprofit organization of global chemicals and plastics companies addressing plastic waste leaking into the environment. With governments, multilateral institutions, other companies, non-governmental organizations, and communities, we have invested in programs for the next five years. A dedicated team is working on four pillars:

- Infrastructure development to manage waste and increase recycling.
- Innovation to develop and scale materials, product designs, and recycling strategies that minimize waste and create value.
- Education and engagement to enlist governments, communities, businesses, and individuals in the movement.
- Cleanup to reduce concentrated areas of waste in the environment, particularly in rivers that carry material to the sea.

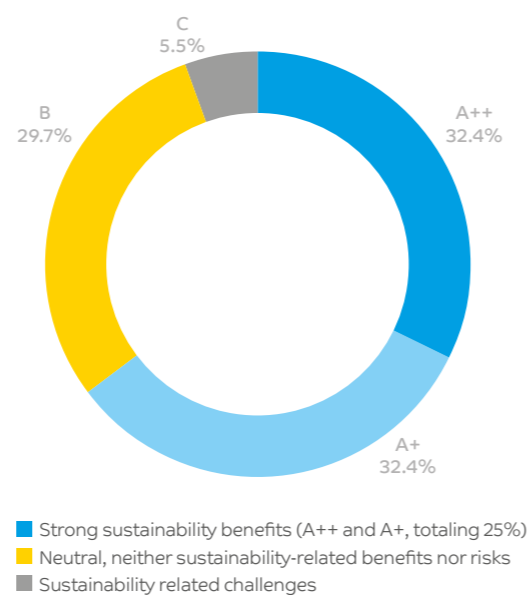
This year, to advance the AEPW vision. We are part of global innovation platform Plug and Play. AEPW will run biannual programs in Silicon Valley, the United States, Paris, France, and Singapore to identify startups with plastic-waste solutions. After a 12-week program, each startup will participate in

a “Demo Day,” where they can seek investment from AEPW. Through the AEPW, we also explore advanced recycling technologies and ways to partner with waste-collection agencies in Southeast Asia.

Partnerships like these are crucial to addressing plastic waste, and we are committed to working in the AEPW to find more solutions.

This year, we expanded our portfolio sustainability analysis (PSA) to automotive, foam, and pipe. We have now completed 37 product-application combinations, covering much of our polymers product portfolio. Of these, our analysis shows 12 applications have strong sustainability-related benefits, 12 have moderate benefits, 11 are neutral, and two have challenges. In 2020, we will continue to apply the PSA methodology to other areas of our chemicals product portfolio.

### PRELIMINARY PORTFOLIO SUSTAINABILITY ASSESSMENT RESULTS FOR FLEXIBLE PACKAGING



## KEY MARKETS

A core strength of SABIC’s sustainability is a deep expertise on many industry needs. As more companies seek ways to reduce their carbon footprints or increase energy and material efficiency, we are often ready with the innovations they require.

### TRANSPORTATION



Enabling a safer, smarter, and more efficient world of transportation

Our new-material solutions for cars, trucks, trains, and aircraft help manufacturers to reduce weight, making vehicles more fuel efficient without compromising safety.

With weight reductions leading to lower CO<sub>2</sub> emissions and improved fuel economy or electric vehicle range, automakers continue to demand lighter materials that meet their stringent performance requirements. We engaged with Land Rover’s new 2020 Defender to help the automaker incorporate our thermoplastic solutions into more than 70 applications. Land Rover describes the vehicle as “featuring our toughest materials yet.”

BMW this year won a second-place innovation award from the Society of Plastics Engineers for a hybrid cross-car beam and glove box developed in partnership with SABIC. Our STAMAX™ long-glass-fiber-reinforced material reduces weight while delivering high stiffness and impact resistance.

For electric vehicles, SABIC develops plastic-metal hybrids to combine plastic lightness and stiffness with metal strength. Our new XENOY™ HTX resin can replace metal in new safety applications, including side rockers designed to protect underbody-mounted battery modules in electric vehicles. Also this year, we released a new set of flame-retardant solutions for battery parts that offer 30 to 50 percent weight savings over metals – leading to significant fuel economy and environmental benefits.

SABIC’s newly developed ultra-melt-strength polypropylene is suited for high-temperature foam applications in automotive and construction. Its lifecycle impacts are lower than any high-density polyethylene (HDPE) alternatives. Its weight savings can reduce environmental impacts by 40 percent – with further fuel-saving benefits in automotive applications.

## KEY MARKETS CONTINUED

### PACKAGING



Preserving product value while minimizing environmental impacts

SABIC has developed a number of plastic-packaging solutions with customers and suppliers that reduce resource consumption and offer lighter-weight designs, protecting product value while helping manufacturers to serve their customers and safeguard the environment.

Plastic packaging plays a crucial role reducing waste in the global food supply. It must do so while complying with more stringent food, consumer-safety, and environmental regulations. SABIC developed four new circular solutions for packaging under our TRUCIRCLE™ initiative, including the company's flagship certified circular polymers created from chemically recycled mixed plastic waste. Unilever's new Magnum® ice cream tub is the world's first to be made from recycled plastic packaging from SABIC's newly developed certified circular impact polypropylene for frozen foods.

TRUCIRCLE solutions include certified renewable polyethylene and polypropylene, polymer resins created from mechanically recycled polymers, and products designed to minimize waste and encourage recycling, such as SABIC's biaxially oriented polyethylene polymer, which, due to its mono-material structure, can be easily recycled.

We developed a mono-material films for the production of silage film to be used in large-scale agriculture. The new material addresses recyclability concerns while offering superior quality and simplified film processing.

In addition, we used SABIC's polypropylene technology to create a reusable delivery box. Unlike disposables, delivery boxes made from our foldable polypropylene sheet can be reused up to 15 times, leading to 92 percent fewer greenhouse-gas emissions and 89 percent lower cumulative energy demand than the equivalent disposable paper boxes over their product life<sup>3</sup>.

<sup>3</sup> Internal analysis was based on ISO14040 principles but did not undergo critical peer review.

### AGRI-NUTRIENTS



Improving food security

SABIC's agri-nutrient solutions improve food security by increasing crop production. Our latest generation of products reduces the environmental impacts of farms and promotes farmer safety.

We have developed a biodegradable, controlled-release urea, an environmentally friendly fertilizer that overcomes the problem of nutrients being washed away before crops can absorb them. The new solution delivers a nutrient release pattern that matches a crop's need.

Our new Nitrogen Urea-SeedCore® increases the efficiency of urea by slowing its hydrolysis in the soil, reducing the number of applications needed per crop cycle.

SABIC's new water-soluble Granular NPK fertilizer is a cost-effective innovation that can be used with all kinds of fertigation systems. The product can be applied either by hand or by machine, and it comes in a range of bag sizes to meet every level of need, reducing packaging by right-sizing shipments for each customer.

### ELECTRICAL AND ELECTRONICS



Enabling slimmer and smarter consumer electronics designs

Electronics increasingly play a central role in every aspect of life and business, and demand continues to rise. SABIC is a top supplier of the high-performance material solutions that electronics companies need to maintain their growth and be sustainable. Our innovative solutions bring sustainability and performance to our associates in the industry.

SABIC's portfolio of flagship products – NORYL™, ULTEM™, EXTEM™ and SILTEM™ resins, a vast range of LNP™ compounds and copolymers, and a variety of thermosets and additives – can meet the complex performance and sustainability requirements for every type of electrical use. For instance, our NORYL™ oligomers are a key component for the high-speed services, base stations, and wireless antennae that are the backbone of the burgeoning 5G infrastructure. SABIC's polypropylene compound G4235U is used successfully for 5G antenna housing with a leading network provider. This compound delivers lower density, leading to 40 percent reduced weight, better conductivity for improved signal strengths, and less odors and emissions during production compared to incumbent thermosets. We have seen significant expanded 5G capacity this year, and we expect to see more in 2020 and beyond, as the world builds infrastructure to meet demand.

In products requiring the highest-performing sensors, lenses, barrels, and spacers, our ULTEM™ resins offer infrared transparency and heat and chemical resistance, while NORYL™ resins feature performance capabilities that make them ideal for protective covers. Our LNP™ compounds also offer key attributes, including electro-magnetic interference shielding, thermal management, and rigidity. With the rapid growth of the Internet of Things and a simultaneous demand for real-time communications, we are expecting significant increases in demand for our products and the tangible advantages they have over traditional glass and epoxies.

### MEDICAL DEVICES



Innovating new materials to enable affordable healthcare

SABIC's products are an ideal fit for the healthcare industry, including single-use devices, portable medical equipment, surgical instruments and trays, and materials used in drug delivery. We work with our customers to meet the demand for personalized medical care while also helping them to imagine new solutions that can further advance the quality of care they provide.

As part of our strategic approach to providing solutions, we develop new products that offer lighter, safer, and more functional performance as well as efficiency, comfort, and sustainability. Our latest range of PURECARES™ polymer products, such as our new ultra-high-melt flow resin, can create lightweight, breathable fabrics for use in diapers, sanitary products, and surgical gowns with lower environmental impacts than existing materials.

We are working with brand owner Unilever and converter Aptar to make all REN Clean skincare packaging recyclable or refillable by 2021. SABIC's certified circular polypropylene polymers perfectly match our customer's needs for a circular solution that can provide an aesthetically pleasing, recyclable, airless packaging system.



## KEY MARKETS CONTINUED

### CONSTRUCTION



Driving sustainable, cutting-edge building designs

Construction can help accelerate the world's transition to a low-carbon economy, and SABIC's innovative building materials are key to the industry push to build more energy- and resource-efficient buildings in line with consumer demand and regulatory pressures for ever-greater sustainability.

The ongoing, global trend toward urbanization has heightened the need for safe, resilient, and sustainable urban design. We have developed a number of materials that meet demand from the architectural, construction, and water-management industries for more environmentally sustainable structures. As a leader in the development of lightweight, robust and energy-efficient solutions, SABIC showcases new sustainable materials for pipe, energy, electrical, and structural applications.

Our polypropylene pipe grades for domestic water systems outperform metal alternatives for both lifecycle impacts and installation costs. Not only are our polypropylene pipes cheaper to install for hot and cold water applications, but polypropylene is also corrosion free and has a 77 percent lower CO<sub>2</sub> emissions and 27 percent lower total energy demand than copper piping\*.

SABIC developed an augmented-reality, interactive house and scale-model road to detail the ways in which our sustainable products and applications can support the construction industry.

\* Internal analysis was based on ISO14040 principles but did not undergo critical peer review.

### CLEAN ENERGY



Advancing energy efficiency and renewables

Amid skyrocketing global demand for renewable energy systems, SABIC is committed to using its materials expertise to advance the transition to low and no-carbon energy. We have a number of solutions to lower the price of renewables – and increase efficiency for our customers and ourselves.

SABIC now uses an innovative bio-methanol, a renewable fuel additive that can be blended with gasoline. SABIC's bio-MTBE (methyl tert-butyl ether) is made using renewable feedstock-based methane gas in a methanol synthesis process. The use of our bio-MTBE reduces fossil fuel-based CO<sub>2</sub> emissions, and because its production does not compete with food or feed products, it is classified as an advanced biofuel under the European Union's Renewable Energy Directive.

## LOOKING FORWARD

We continue to innovate to achieve our sustainability targets and meet emerging energy-efficiency regulations, such as the Saudi Arabian Energy Efficiency Program (SEEP). As we do so, we prepare to limit the climate change impact by exploring the Science Based Targets Initiative – an international collaboration that promotes best practices – to evaluate our current greenhouse-gas emissions targets and ensure commitment to positive results across our operations.

We continue to study our climate-related financial risks using the framework developed by the Task Force on Climate-related Disclosures and to develop an internal price of carbon to inform strategic decisions. And we will continue to accelerate the development of circular economy solutions that can close the loop on waste and protect our planet.

We believe that no one company can address these issues alone: the scale of the challenge is too large, too urgent, and requires speed never before imagined.

Therefore, as a company, SABIC is committed to collaborating with its stakeholders and business partners across the value chain.

At our new pyrolysis plant in the Netherlands, which should be fully operational by 2021, we work with a number of collaborators to scale up supply of the certified circular polymers that are part of our TRUCIRCLE™ portfolio. This initiative, combined with a plan to increase recycled plastic from mechanical recycling, led SABIC to pledge to the European Commission that it would introduce 200 kilotons of recycled plastic in Europe by 2025. In addition to selling these solutions in Europe, we would like to offer them in other regions, including Asia, the Middle East, and Africa.

We will continue to apply portfolio sustainability assessment to our chemicals products and develop a portfolio overview. We will use this data to create performance indicators and targets to drive SABIC sustainability solutions.

We continue to see great rewards from our efforts to apply innovation to sustainability. We foresee even greater benefits in the coming years as we expand our investments in circular economy solutions and our TRUCIRCLE™ initiative to address global plastic waste. We will continue to innovate in processes and catalyst technologies and to increase the electrification and transition to renewable energy to reduce CO<sub>2</sub> emissions and meet our targets. In working toward these goals, we will help to build a sustainable future – for our company, customers, and the world.

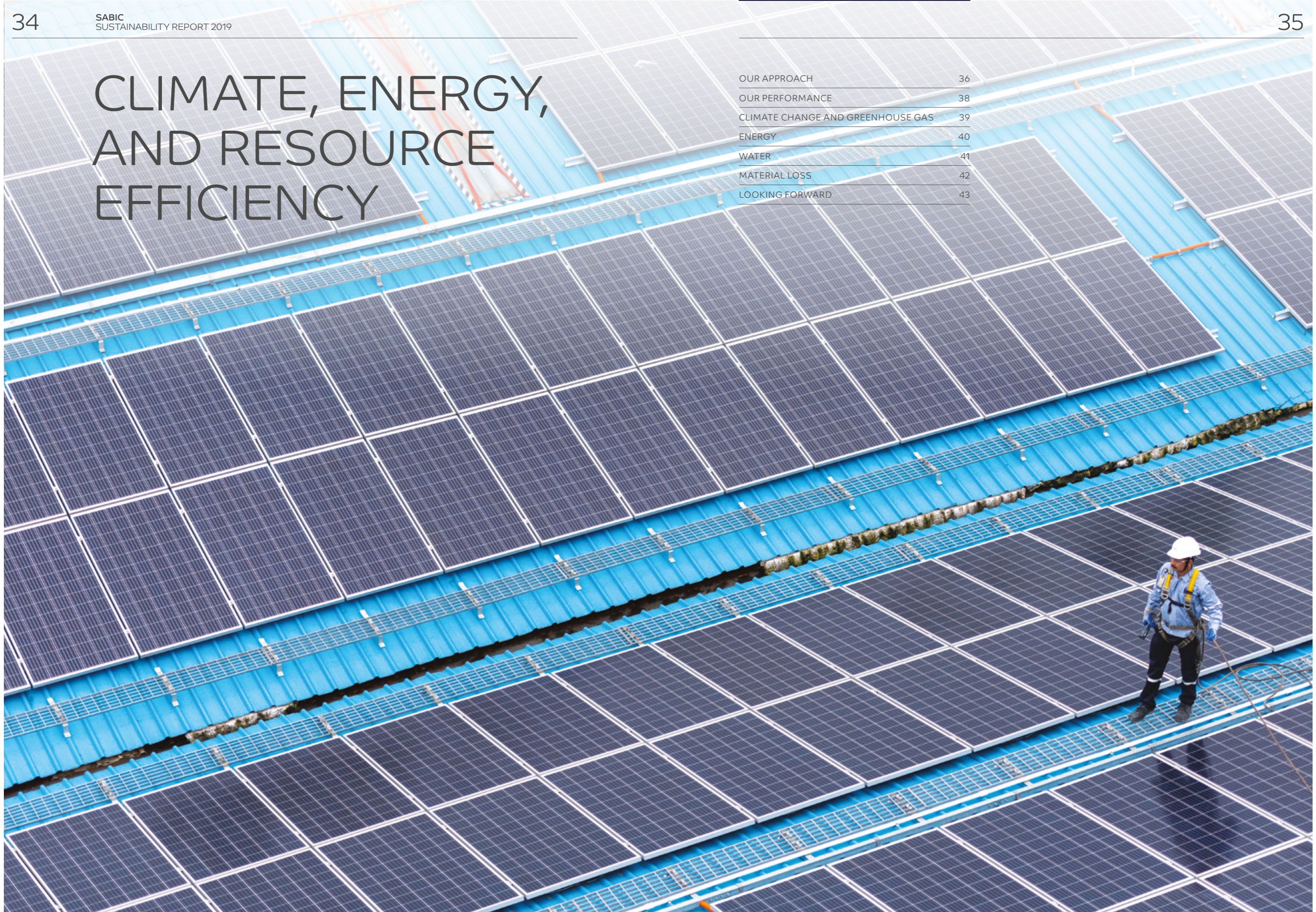


We continue to see great rewards from our efforts to apply innovation to sustainability.



# CLIMATE, ENERGY, AND RESOURCE EFFICIENCY

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## OUR APPROACH

Sustainability is at SABIC's core. Throughout our history, we have made efficient use of limited resources. This year, climate change became a material topic for our company, as our stakeholders expect. We are in a prime position to elevate the discussion of climate change and to influence positive change in Saudi Arabia and around the world.

Climate resilience is central to our climate and efficiency goals. We continuously improve energy efficiency, targeting to reduce the intensity of our energy and greenhouse-gas emissions by 25 percent from 2010 to 2025. We also reduce the carbon footprint of our products and supply chain, while advancing the deployment of renewable energy. A new target is to install 4 gigawatts of renewable energy by 2025 and 12 gigawatts by 2030.

We strive to maximize resource efficiency and minimize environmental impact, even as we grow. This year, our Global Headquarters in Riyadh achieved carbon neutrality by offsetting greenhouse-gas emissions. We continue to make progress on our goals to reduce material-loss intensity by 50 percent and water intensity by 25 percent from 2010 to 2025. In addition, SABIC is introducing new sub-targets to further our commitment on material-loss reduction. We are committed to reducing our emissions from flaring by 65 percent compared to 2010 levels, and also to reduce our hazardous and non-hazardous waste to below 2010 levels, as a percentage, all by 2025.

To ensure these ambitious goals translate to impact, SABIC is restructuring to strengthen sustainability governance. The Sustainability Council reviews progress twice a year. The new structure will build a sustainability culture through training, engagement, and operational excellence.

SABIC is committed to energy excellence. Our energy policy drives us to explore innovations and renewables and to improve product energy efficiency.

### DRIVING CLIMATE CHANGE MITIGATION IN CULTURE AND ASSETS

SABIC takes a multi-channel, strategic approach to climate change. We steadily decarbonize by shifting from coal to cleaner energy. In 2018, we established our first strategy to procure renewable energy as part of our energy mix. Given our large presence in Saudi Arabia, SABIC is uniquely positioned to benefit from the country's abundant solar and wind resources. We also work with the Saudi government to achieve its National Determined Contribution (NDC) targets outlined in the Paris Agreement.

SABIC is committed to energy excellence. Our energy policy drives us to explore innovations and renewables and to improve product energy efficiency. To help our manufacturing affiliates select and evaluate energy-efficient new projects, this year, we rolled out the marginal abatement cost curve (MACC) tool. The tool helps to rank various opportunities for energy efficiency and CO<sub>2</sub> reduction.

One project with multiple environmental benefits completed this year is the methanol recovery system at Ar-Razi. With a new column, we can capture useful methanol from our waste-high-alcohol process, eliminating the need for an on-site incinerator. The project has already saved more than 9,600 tons of CO<sub>2</sub> equivalent greenhouse-gas emissions, and reduced energy consumption by more than 26,000 gigajoules.

Identifying these savings requires highly skilled experts. This year, we continued to train employees through our Certified Energy Expert Program. The program launched in 2017, and 120 people – mostly SABIC engineers – were certified by the end of this year. In addition, we build the capabilities of front-line staff with training and advanced simulation tools. To date, more than 250 employees have benefited from these courses.

### SAUDI ENERGY EFFICIENCY PROGRAM (SEEP)

SABIC continues to support the government-led Saudi Energy Efficiency Program (SEEP) to save energy and improve overall energy efficiency. We are fully committed to the targets set by SEEP. To date, we have completed more than 170 projects totaling over US\$1.2 billion. This year, our Saudi affiliates overcame difficulties to close 80 percent of the gap between our performance and the 2019 targets. We will continue investing to close the remaining gap. Our biggest challenge is affiliate legacy assets that use more energy than new equipment and are costly to upgrade or replace. This year, six mega-projects, valued at over \$850 million, will help achieve the SEEP targets. We will work closely with SEEP to track performance.

### DISCLOSING OUR CLIMATE IMPACTS

Reducing our climate impacts requires transparency. To help us on this journey, we have worked with the Carbon Disclosure Project (CDP), a global nonprofit organization working to prevent dangerous climate change and protect natural resources since 2013.

This year, SABIC received a B Rating on Climate Change from the CDP, making us one of the best climate change performers in the Middle East and putting us on par with other companies in the chemical industry. Participating in the CDP survey offers a number of benefits. Not only are we gaining a greater understanding of sustainability risks and how to manage them, but we are also demonstrating transparency and commitment to the environment. Additionally, working with the CDP helps to evaluate and control the risks we are exposed to as a result of climate change.

Building on our successful work, this year, SABIC joined the CDP Supply Chain Program. Through the program, we help suppliers disclose their own emissions through the CDP, identifying hot spots and reducing them through collaboration. See the "Engagement and Collaboration" section for details.



Mega-projects have helped to make SABIC one of the best climate change performers in the Middle East.

# OUR PERFORMANCE

## KEY RESULTS

- Achieved an overall B rating in the CDP 2019 survey, making SABIC one of the best performers in the Middle East.
- Implemented a methanol-recovery project at our Ar-Razi affiliate, reducing energy consumption by more than 26,000 gigajoules and cutting greenhouse gas emissions by 9,600 tons per year.
- Installed new-resin condensate coils at our Tampico facility, which recover condensate and flash steam. The project helped us to achieve nearly 30,000 gigajoules in energy savings and more than 32,000 cubic meters of water savings in 2019.
- Improved monitoring and efficiency of water and steam at our Yanpet affiliate, reducing water use by 371,000 cubic meters and overall water intensity by 15 percent in 2019.
- Developed a new procedure at our Saudi Kayan affiliate to optimize consumption of potassium hydroxide, reducing usage by 21 percent, or 100 tons, per year.

## KEY METRICS AND TRENDS

These metrics provide the changes in performance compared to 2010 for greenhouse-gas emissions, energy use, freshwater use, material loss, and flaring reduction. Total CO<sub>2</sub> utilization is the absolute usage in 2019. The intensities are based on units per metric ton of external product sales.

<b>GREENHOUSE-GAS INTENSITY REDUCTION</b>	<b>ENERGY INTENSITY REDUCTION</b>	<b>WATER INTENSITY REDUCTION</b>
13.57%	9.45%	12.62%
<b>MATERIAL LOSS INTENSITY REDUCTION</b>	<b>FLARING EMISSIONS REDUCTION</b>	<b>TOTAL CO<sub>2</sub> UTILIZATION (MILLION METRIC TONS)</b>
41.54%	47.83%*	3.44*

\* Assured by KPMG.

# CLIMATE CHANGE AND GREENHOUSE GAS

As global momentum grows around the urgency of climate change, SABIC is integrating climate-change resilience. Through environmental performance and innovation to reduce emissions and product impacts, we can strengthen our business while supporting global solutions for a sustainable future.

Climate change affects every country on Earth. As a responsible global citizen, SABIC is taking action to address this issue – collaborating with the Saudi government to achieve the national targets outlined in the Paris Agreement and reducing our own greenhouse gas emissions.

This year, our greenhouse gas emissions intensity, measured in metric tons of CO<sub>2</sub> equivalent per metric ton of product sales (tCO<sub>2</sub>eq), fell from 1.22 tCO<sub>2</sub>eq to 1.17 tCO<sub>2</sub>eq. This marks a 3.76 percent reduction in emissions from 2018, and a 13.57 percent reduction from our 2010 baseline.

Our total greenhouse-gas emissions by scope 1 and scope 2 decreased from 57 to 54.9 million metric tons of CO<sub>2</sub> equivalent (tCO<sub>2</sub> eq) in 2019.

The future of energy is in renewables. SABIC is actively transitioning to renewable energy, evaluating opportunities for its generation, sourcing, and storage. Our renewable energy strategy sets our aspiration to achieve 100 percent renewable energy, with interim goals of installing 4 gigawatts of wind and solar energy capacity by 2025 and 12 gigawatts by 2030.

A cross-functional team steers SABIC's renewable energy program, developing procurement strategies, undertaking financial and technical feasibility studies, and overcoming regulatory uncertainties and land-use constraints. At our Baroda and Rayong sites, this year, we installed solar panels that helped reduce greenhouse gas emission by 200 tons. A 200 to 400 megawatt solar installation for our Yanbu affiliate entered the final stage of feasibility planning at the end of this year, and we expect to proceed to the next stage in early 2020.

In Jubail, our United affiliate incorporated a higher quantity of hydrogen in its ethylene tail gas, which does not emit CO<sub>2</sub> when burned. As a result, emissions were reduced by 78,000 tons of CO<sub>2</sub> equivalent this year.

At our Ibn Zahr affiliate, an improvement in the Low Temperature Recovery Section (LTRS-2) facility resulted in a 53 percent reduction in our methyl-tert-butyl-ether (MTBE) flaring, which reduced the greenhouse-gas emissions of the site by 91,000 tons year-over-year.

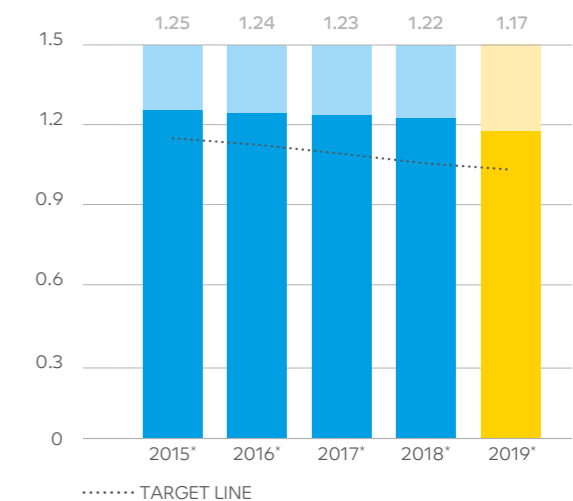
In Europe, climate programs at all sites support the EU 2030 climate and energy framework. Each site has already developed a road map to comply with this requirement.

## GREENHOUSE GAS EMISSIONS BY SCOPE (MILLION tCO<sub>2</sub>eq)

	2014*	2015*	2016*	2017*	2018*	2019*
Scope 1	38	38	38	37	39	37
Scope 2 <sup>1</sup>	18	18	18	17	18	18
<b>Total</b>	<b>56</b>	<b>56</b>	<b>56</b>	<b>55</b>	<b>57</b>	<b>55</b>

\* Assured by KPMG.  
<sup>1</sup> Location-based method.

## GREENHOUSE GAS INTENSITY (tCO<sub>2</sub>eq/t PRODUCT SALES)



\* Assured by KPMG.



# ENERGY

In addition to pursuing renewable energy, SABIC improves the energy efficiency of our operations as we work towards our 2025 sustainability goals.

This year, our global energy intensity, measured in gigajoules (GJ) of energy used per metric ton (t) of product sales, product sales, was lowered to 16.52 GJ per ton from 17.12 GJ/t in 2018. This marks a 3.5 percent decrease from 2018 and a 9.45 percent reduction from our 2010 baseline. Our total energy use decreased from 799 million GJ to 776 million GJ.

A number of important projects at our facilities around the world helped us to improve energy efficiency.

At our SAFCO affiliate, we completed the installation of an Advanced Process Control unit at our SAFCO-3 facility, which helped increase production capacity by 20 percent, which in turn allowed us to improve energy efficiency and a significant amount of fuel and steam.

At our Saudi Kayan affiliate in Saudi Arabia, we embraced the LEAN Six Sigma DMAIC (define, measure, analyze, improve, and control) approach to optimize processes, reducing energy intensity by 10.5 percent and greenhouse-gas intensity by 12.7 percent. Additionally, the process improved

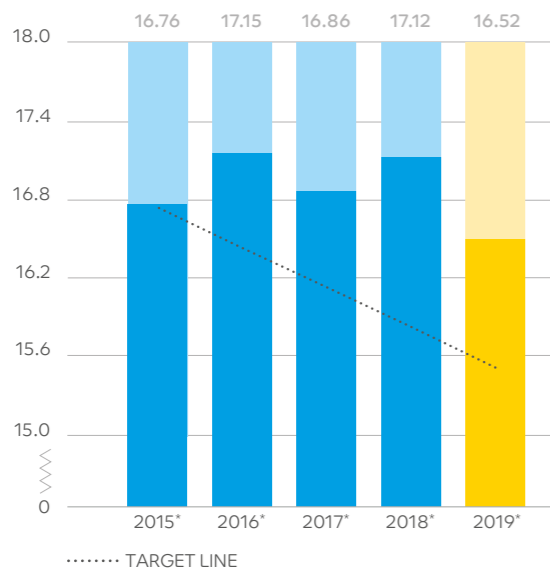
Saudi Kayan's material recovery and productivity, reducing steam consumption. At our Petrokemya affiliate, we completed a thorough cleaning of the furnaces' convection-bank reduced that reduced the site's energy use by approximately 88,000 GJ.

Our Tampico facility in Mexico installed new condensate coils to replace the use of steam for pre-heat processes, reducing energy intensity by nearly 18 percent. At our Burkville site in the United States, we installed a new air separation unit that reduced energy consumption by nearly 16,000 GJ per year.

At our Ibn Rushd affiliate in Saudi Arabia this year, we introduced a next-generation catalyst that improved the facility's yield by 1.12 kilotons annually while also reducing energy consumption per unit produced and reducing waste by 2 tons per year.

Due to new government regulations in Saudi Arabia, some of our facilities are required to incinerate waste that we previously sold. As a result, emissions from these facilities increased this year.

**ENERGY INTENSITY**  
(GJ/MT PRODUCT SALES)



\* Assured by KPMG.

# WATER

Water is essential to life – and to our business. SABIC continuously improves its water efficiency while innovating to help our customers and communities around the world make more effective use of water.

We measure freshwater intensity performance in cubic meters (m<sup>3</sup>) per metric ton (t) of product sales. This year, intensity decreased from 2.62 m<sup>3</sup>/t to 2.58 m<sup>3</sup>/t. We achieved a 12.62 percent improvement over our baseline year of 2010 with a 1.53 percent reduction from 2019. Our total freshwater use reduced to 121 million m<sup>3</sup> from 122 million m<sup>3</sup> in 2018.

Across our operations, we continue to make more effective use of water. This year, our Yanpet affiliate used 6 percent less water than 2018 by installing and modifying hardware, optimizing processes, monitoring consumption, and promoting a culture of sustainability.

Among other key projects that improved water efficiency this year, our Sharq affiliate developed a process to use condensate instead of clean water in evaporators and dehydrator columns, saving 18 m<sup>3</sup> of potable water per hour and reducing Sharq's water use by 5 percent. In addition, a new level transmitter in the cooling water tank resulted in an additional savings of 2.9 m<sup>3</sup> of water per hour and a 0.8 percent reduction at the facility.

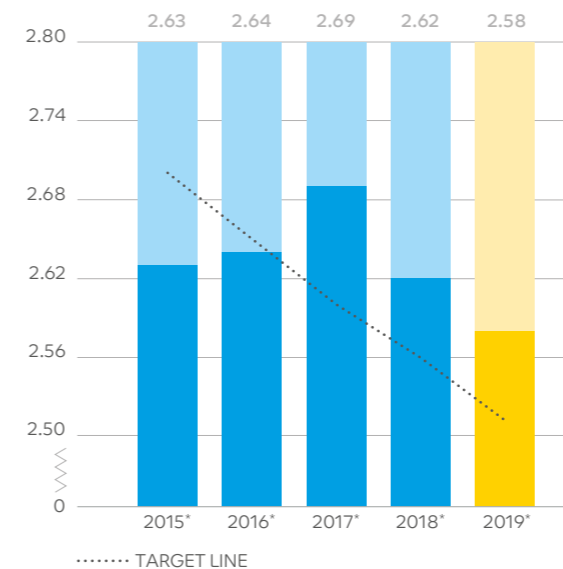
In an example of how to reduce waste while increasing resource efficiency, the steam coil and condensate recovery project at our Tampico facility saved energy and water while enabling a 70 percent improvement in recovery of waste condensate, which can then be reused in manufacturing.

At our Ibn Zahr affiliate, we improved efficiency of the Demin unit and incorporated better condensate-recovery practices, which together resulted in a reduction of 77,000 m<sup>3</sup> of water used this year.

Our United affiliate increased its focus on water efficiency, running all plants at their optimum levels, and identifying and fixing leaks. Together, these efforts led to a 350,000 m<sup>3</sup> reduction in water use.

In the face of water-scarcity driven by climate change, we have projects globally to minimize our water footprint. In Cartagena, Spain – one of the most water-scarce areas in Europe – we have a series of wastewater reutilization projects enabling us to recover almost 50 percent of water that would otherwise be discharged to the sea. This year, we installed a portable microfiltration unit that reduces the site's annual water use by more than 30,000 m<sup>3</sup>.

**WATER INTENSITY**  
(m<sup>3</sup>/t PRODUCT SALES)



\* Assured by KPMG.

# MATERIAL LOSS

In a world of scarce resources, we must make every effort to eliminate the loss of all materials to the environment. SABIC leads in reducing waste and closing the loop on the processes we use to create our products.

Our material loss intensity improved 41.9 percent from the 2010 baseline. Our absolute material loss remained at 3.3 million tons this year.

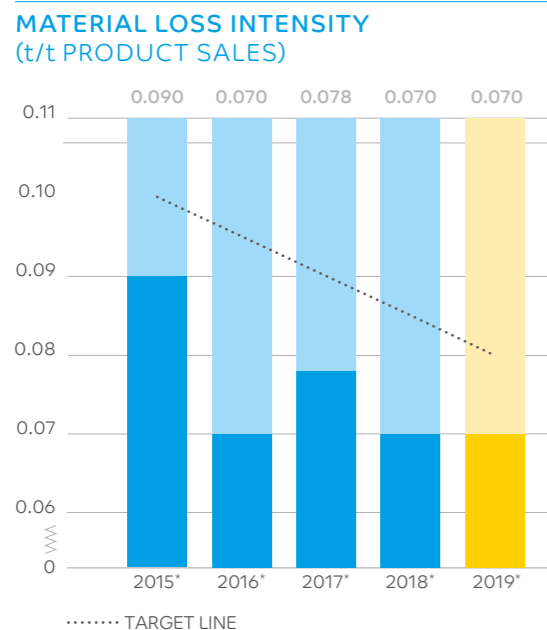
Among the key projects that reduced our material loss is an innovative methanol-recovery process at our Ar-Razi affiliate. We already highlighted how this new process significantly reduced energy consumption and greenhouse-gas emissions. Ar-Razi is now using methanol – which had previously been a waste product in need of disposal – to fuel the facility’s boilers for manufacturing. During a 45-day annual maintenance this year, the facility recovered and recycled 1,100 tons of waste higher alcohol, producing 300 tons of methanol. The process avoided 1,300 tons of CO<sub>2</sub> emissions, saves 2,800 GJ of energy, and repurposes 500 tons of waste material.

Our Saudi Kayan affiliate developed a procedure to optimize consumption of potassium hydroxide, reducing usage by 21 percent and saving 100 tons of the substance per year.

Our Petrokemya affiliate improved the reliability of its operations, reducing the flaring of olefins and lowering material loss by 42,000 tons.

This year, we furthered our material loss commitments by introducing two new sub-targets: reducing our emissions from flaring by 65 percent compared to 2010 levels, and reducing our hazardous and non-hazardous waste to below 2010 levels, both by 2025. We have already undertaken several projects to achieve this goal. Substantial flaring reduction from our SAMAC and Ibn Zahr affiliates were able to offset the increased flaring at SAFO and Hadeed, and even more, contributing to lower overall material-loss intensity in 2019.

At our Ibn Rushd affiliate, we replaced high-pressure and low-pressure flare tips to improve efficiency, saving a minimum of 6 tons per hour of flare.



\* Assured by KPMG.

# LOOKING FORWARD

As we continue to progress toward our new and existing 2025 sustainability goals, we focus on the key performance indicators of greenhouse gas, energy, water, and material loss intensities to measure progress.

In Saudi Arabia, we will strive to meet the targets under the Saudi Energy Efficiency Program, which are set in multiple cycles towards 2030 and beyond, and significantly invest in our facilities to reduce energy use. We will also advance our solar park in Yanbu, beginning the tendering process in 2020 and construction as soon as possible after that.

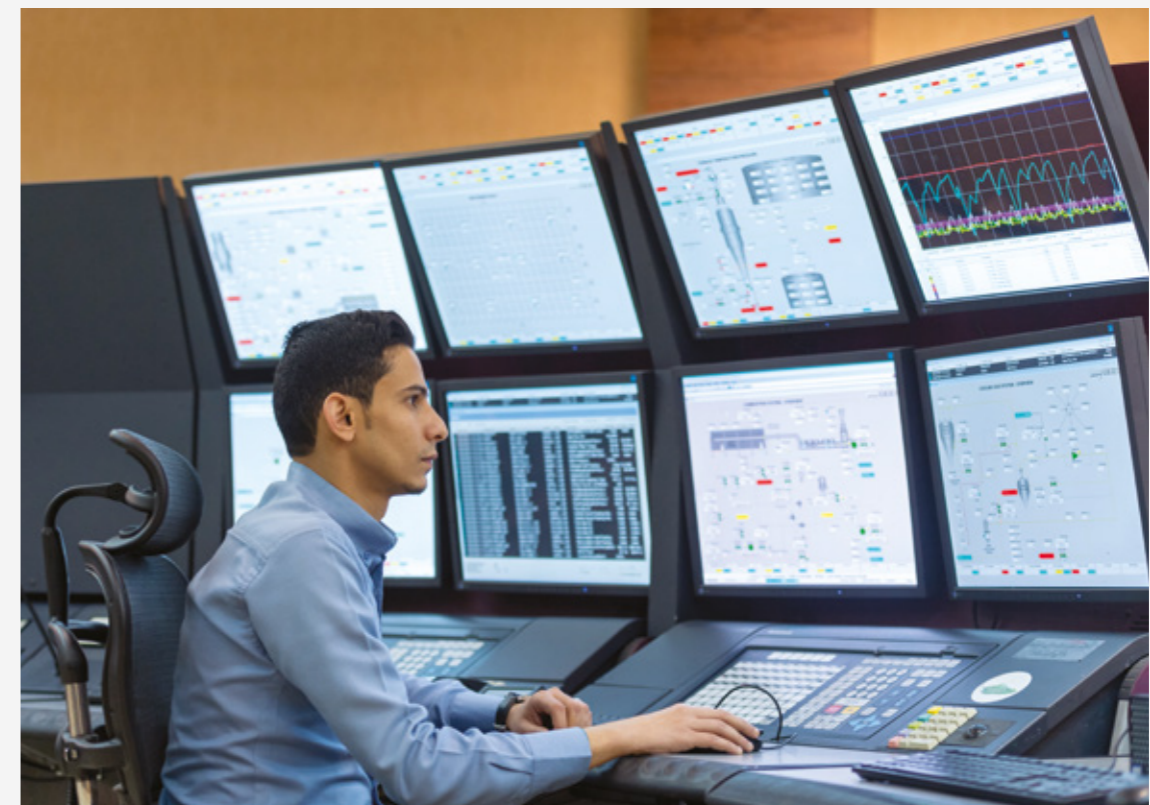
Everywhere we operate, we will increase our efforts to source and install renewable energy to reduce our environmental impacts.

To continue our water-intensity improvements, our Hadeed affiliate is evaluating the opportunity

to install a new system capable of recycling as much as 5,000 m<sup>3</sup> of wastewater from plant processes every day. Implementing this program will help Hadeed achieve more than its target 25 percent reduction in water-consumption intensity by 2025.

To minimize our material loss, SABIC has laid out a strategy and work stream to maximize recycling and minimize waste at all of our plants.

Meanwhile, we are in the process of expanding the assurance scope to cover our flaring reduction performance against our new target set for 2025.



An innovative project at the Ar-Razi manufacturing affiliate uses methanol to fuel the facility's boilers.



# EHSS AND PRODUCT SAFETY

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## OUR APPROACH

A culture of safety and stewardship permeates everything we do – from protecting our workforce to educating our customers, and from creating sustainable product life cycles to protecting the health of the communities where we live and work. We take this approach because environment, health, safety, and security (EHSS) is as much of a core value to SABIC as the constant search for operational improvements and business success.

SABIC has made considerable EHSS improvements in recent years – made possible by a culture of excellence and employee empowerment. We strive to embed EHSS into every level of our organization, supported by five key functions: Health, Safety, and the Environment; Security; Process Risk Management; Product Stewardship; and Global Assurance. These teams – centers of excellence for manufacturing, business units, and corporate functions – strengthen EHSS at sites and regions around the world.

### GOVERNANCE AND OPERATING RHYTHM

SABIC's leaders seek to inspire and empower employees to improve our EHSS performance. They do this by developing a strong, supportive culture in which EHSS is a core value built into everything we do.

Our EHSS Executive Council, which consists of SABIC's Vice-Chairman and CEO, executive vice presidents, EHSS functional leaders, and Legal team members, drives this process across the company, meeting biannually to monitor performance, establish milestones, and review strategic programs and company initiatives. A separate EHSS Council, which includes manufacturing-affiliate presidents and site and functional EHSS leaders, meets each quarter to coordinate strategic programs, strengthen our EHSS culture, and identify areas in need of special focus. Complimenting this work, a Product Stewardship Council advances knowledge and best practices, and reduces the environmental, human health, and safety risks of our product portfolio.

Together, these councils support the daily work of our EHSS functional teams and complement the many meetings held globally to give manufacturing employees an opportunity to review strategy, share best practices, and build global networks for continuous improvement.

### 2019 INITIATIVES

Over the course of the year, we invested in a number of strategic initiatives to improve our EHSS performance. After the successful Operations Management System (OMS) rollout in 2018, we expanded communications channels for all SABIC sites globally to share information, elevating the visibility of EHSS at every site and improving our outreach to key stakeholders. We evaluated and improved our core competencies for EHSS functions, and we continued a digital transformation to identify and manage risk, developing new tools to educate SABIC employees to improve performance.

The following section features key highlights from each global EHSS function.

## OUR PERFORMANCE

### 2019 HIGHLIGHTS

- This year our EHSS Rate increased due to 2 Class A incidents.
- Recommendations and lessons learned coming out of the incidents investigations (RCA) have been implemented for future prevention.
- Developed tools for our new Operations System, streamlining EHSS practices globally.
- Fully implemented and raised awareness of the new global key performance indicators (KPIs) introduced in 2018.
- Began developing safety education training courses for 60 active employee roles in operations.
- Greatly strengthened Product Stewardship's risk identification and management, and made product safety information more available to customers and end users.



SABIC's progress in EHSS has been made possible by a culture of excellence and employee empowerment.

### KEY METRICS

EHSS RATE	EHSS ABSOLUTE RATE	CUSTOMER PRODUCT INQUIRIES ANSWERED
33% increased	0.57*	10,000+

\* Assured by KPMG.



# CULTURE OF CONTINUOUS IMPROVEMENT

Staying on top of the fast-changing field of EHSS requires dedication to continual improvement. Only the latest tools and best practices can result in the world-class performance our leadership and customers expect. We innovated this year by building on the successful 2018 rollout of the Operations Management System (OMS).

## OPERATIONS MANAGEMENT SYSTEM

We continue to benefit from the new OMS, which builds a culture of excellence by providing clear principles, unified standards, and the right level of guidance to develop systems and procedures at every SABIC site. In addition, OMS defines competencies for standards and processes. This new system empowers our global manufacturing community to take ownership and drive results through commitment and innovation.

After the successful 2018 implementation of OMS, this year we started to embed new practices at the front line of operations, including change management and robust quality review.

A key tool is OMS Connect, an immersive education environment for approximately 8,000 operators and technicians globally. This system, which began roll out this year, lays the foundations for best-in-class site-systems and procedure development.

## PRODUCT STEWARDSHIP AND OMS

As part of our OMS roll out, we extensively reviewed more than four years of data from our Safety, Health, and Environment Management Standard (SHEMS) and Manufacturing Excellence Management Standard (MEMS), streamlining the standards and improving guidance. The result was better mitigation of risks to operations and customers. We introduced product stewardship OMS standards through in-person training and an online course for all employees in our Learning Management System. Building on our product stewardship experience, OMS means SABIC manufacturing can excel in EHSS performance and reliability, while creating value by aligning priorities for site stewardship.

## EHSS PERFORMANCE

SABIC measures and tracks a wide variety of leading and lagging EHSS performance metrics at our facilities to enable continual improvement. However, we use our EHSS Rate as the key overall performance indicator as it incorporates a comprehensive range of incident types, including accidental releases to the

environment, process-safety events, occupational health and safety injuries, illnesses, and security incidents. Incidents are rated on the basis of severity, and the rate is given for every 200,000 person-hours. We have a long-term strategic goal to reduce our global EHSS Rate to no more than 0.25 by 2025.

Since 2005, our EHSS Incident Rate has improved by 84 percent and our Total Recordable Incident Rate by 67 percent. No fatalities occurred in 2019.

## MATURITY LEVEL ASSESSMENTS

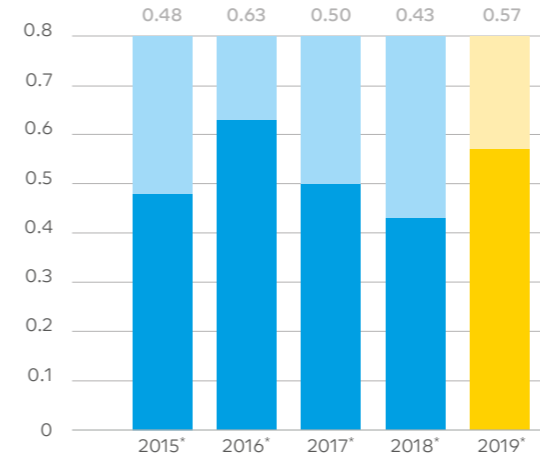
We began rolling out a series of supplemental audits and assessments at selected SABIC sites to effectively implement our EHSS management standards. This year, we assessed the maturity level of eight facilities for process safety, health and environment, and occupational safety. We found an average 2.1 score across these sites, and are working to improve by spreading these assessments across all SABIC sites.

## EHSS RATE METRICS AND ANALYSIS

	2015	2016	2017	2018	2019
Process Safety Total Incident Rate (PSTIR)	0.01*	0.02*	0.01*	0.011*	0.03*
Total Recordable Incident rate (TRIR)	0.13*	0.14*	0.12*	0.14*	0.14*
Occupational Illness Rate (Total)	0.000*	0.002*	0.014*	0.003*	0.008*
Security Incident Rate (SIR)	0.015	0.001	0.008	0.001	0.001

\* Assured by KPMG

## EHSS RATE TREND FROM 2015 TO 2019



\* Assured by KPMG

## IMPROVING PERFORMANCE

We continue to develop new tools to improve EHSS performance. This year, we fully implemented the new leading and lagging global key performance indicators (KPIs), which were first defined in 2018, and help to identify significant risks and achieve our EHSS goals.

As with any change process, implementing the new KPIs involved a period of transition and learning. Notable achievements this year were as follows:

- Introduced a new process to collect SABIC manufacturing affiliate data through a uniform global KPI template.
- Developed a global KPI applicability assessment and exemption process for small and non-operating sites at some affiliates.
- Conducted quarterly reviews with subject matter experts to monitor global KPI awareness, data quality, trend development, and alignment on corrective and preventive actions for continuous improvement.
- Held global EHSS feedback workshops with regional and affiliate teams, with the next phase to focus on improving affiliate data quality and identifying sustainable trends for the new KPIs.

## MAKING EVERYONE ACCOUNTABLE

At SABIC, we have a number of important initiatives and campaigns that enable every employee, from the front line worker to the executive leader, to understand our EHSS strategy and integrate it into their daily lives.

Our Life-Saving Rules campaign emphasizes the basic rules and critical actions that keep employees safe while undertaking the highest-risk operations. The campaign highlights procedures that require constant vigilance to avoid serious injuries or accidents. Another initiative, the Connect and Protect campaign, examines safety behaviors, systems, and culture in the workplace – and the importance of visible leadership. Lastly, we expanded our I Am Accountable campaign to new regions, with the goal of reducing injuries and incidents by reminding all employees of their personal role in ensuring safe operations.

## EHSS NUMBERS FOR 2019

### ENGAGEMENT AND SUPPORT

- 91 high-consequence process safety scenarios identified by cross-functional teams.
- 24 EHSS networks active across all regions.
- 8 security risk assessments conducted for global sites.
- 4 Incident learning sessions conducted.
- > 10,000 customer declarations completed for product stewardship inquiries.

### SHEM ACADEMY TRAINING

- 296 engineers and professionals trained on Process Hazard Analysis leader qualification, facility siting, pre-incident planning, and Layer of Protection Analysis.
- 161 engineers graduated from process safety fundamentals training.
- 115 safety and environmental experts trained in the NEBOSH (National Examination Board in Occupational Safety and Health) certification.
- 95 instructors trained for new unified safe work permit and LOTO (lock-out/tag-out) across regions.
- 10 crisis management awareness sessions held for 140 leaders and key stakeholders.

### EXCELLENCE AND IMPROVEMENT

- Participated in a National Crisis Management drill for the Middle East.
- 8 digital transformation projects completed for system enhancements and better user enablement.
- 3 global EHSS digital town halls to share knowledge, best practices, and incident-learnings among our EHSS and Manufacturing community.

## CASE STUDY

### RESPONSIBLE CARE®

SABIC strives to operate to the highest standards of EHSS excellence and Responsible Care® – the chemical manufacturing industry's environmental, health, safety, and security performance initiative. This year, we updated our Responsible Care certification to the RC14001:2015 standard. We also expect to replace our OHSAS 18001 certification with ISO 45001 certification. Neither the third-party audits required to verify our compliance with these standards nor surveillance audits conducted over the last five years found any major non-conformances. This year, we saw a significant improvement in implementation of the standard's practices over the previous year, and we are committed to improving that performance in the coming years.

# RISK AND EMERGENCY RESPONSE MANAGEMENT

## PROCESS SAFETY KNOWLEDGE AND COMPETENCY

Risk is inherent to our work. However, meticulous risk management helps to ensure the safety of our employees and communities – and business success. At SABIC, we have set strategic objectives in process safety knowledge and competency development, risk discovery and management, emergency preparedness and response, and technical network support. To prepare for every scenario, our Process Risk Management team focused on high-consequence and low-likelihood risks.

In many industries, retaining process safety knowledge and expertise is a challenge due to employee turnover. To minimize the impact of such turnover on our institutional expertise, SABIC has competency development programs aimed at all levels of the organization.

We continued to collaborate with Texas A&M University's Mary Kay O'Connor Process Safety Center to develop the process safety competencies of our engineers. The program's rigorous practical content builds on theoretical knowledge with applications customized to SABIC operations. Since the program inception, 70 engineers have graduated.

We continued our Fundamentals of Process Safety course, which develops process safety management for many business functions. As of 2019, 91 professionals completed the training, including operations and maintenance professionals, engineers, and middle management.

This year, we strengthened the following programs: Process Hazard Analysis Leader Qualification, EHSS Risk Assessment for Leadership, and Fire Prevention and Emergency Management Training, details of which are in the sustainability report supplement on SABIC's website.

In addition, SABIC fully implemented four-tiered process safety leading and lagging indicators to the American Petroleum Institute's standards. Tracking lagging tier 1 and 2 indicators drives process safety, and we balance them with leading indicators from this year. We trained all affiliates and sites on this new methodology, enabling them to identify EHSS events and near misses, that could have been more serious, enabling us to learn from such incidents.

## IMPROVING RISK DISCOVERY AND MANAGEMENT

Risk discovery is critical to process risk management. We apply several methodologies to expand our awareness of the risks we face. SABIC Assurance for EHSS Risks (SAFER) is the key EHSS system we use for risk identification, assessment, tracking, and mitigation. SAFER reviews provide better visibility of risks and mitigation measures leading to safer facilities. This year, 45 leaders and 29 subject matter experts completed training on this system.

At the beginning of the year, newly-formed cross-functional teams identified high-consequence process safety scenarios in several operational areas. They studied major incidents and near misses – at SABIC and other global companies' process safety alerts from technology providers. They identified 91 scenarios and connected them to specific business units, identifying minimum safeguards for prevention. We are embedding these findings in our safety standards, including pre-incident planning, emergency preparedness, and crisis response.

We have undertaken studies for all of our major manufacturing facilities to identify occupied buildings that are located in areas of elevated risk. We are using the results to further reduce risk and protect people in an emergency.

Effective emergency preparedness and crisis management rely on pre-incident planning for multiple risks. We trained 90 professionals in our Pre-Incident Planning (PIP) protocol, empowering them to improve emergency preparedness at our facilities.

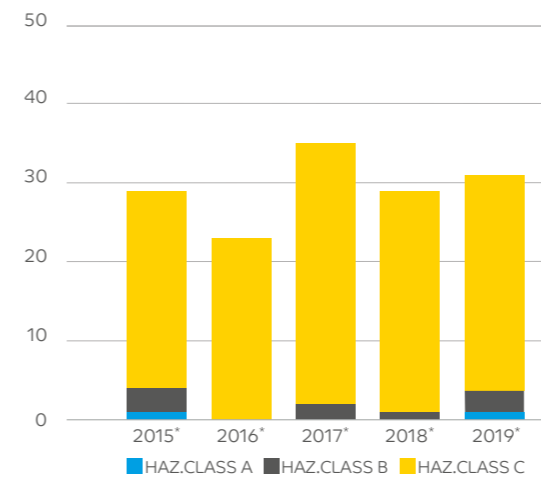
Our Transient Operations HAZOP (TOH) protocol – where HAZOP stands for hazard and operability study – helps us to develop procedures to more safely start up and shut down unit operations and manage emergencies or other abnormal operations – the “transient operations” that have historically presented greater risk of major incidents at chemical manufacturing facilities. This year, we trained 13 professionals in TOH.

## ENVIRONMENTAL RELEASES AND EMISSIONS MANAGEMENT

We make it a priority to reduce environmental emissions, and have set a goal to eliminate all accidental releases of hazardous substances into the environment. We manage this issue by carefully tracking and categorizing all accidental releases based on severity, and we work to eliminate emissions of hazardous materials and minimize all others.

This year, the total number of hazardous-substance release incidents increased from 29 to 31. The total volume of hazardous substances released, increased by 152 percent. The Class A Haz. Chem Release incident contributed for 80% to the total hazardous chemical release amount.

### TOTAL NUMBER OF HAZARDOUS SUBSTANCE ACCIDENTAL RELEASE INCIDENTS



\* Assured by KPMG.

## CASE STUDY

### REDUCING EMISSIONS TO AIR

As part of a conversion of the Teesside Olefins 6 cracker to process ethane feedstock this year, we replaced more than 2,500 burners with more-efficient, low nitrous oxide (NOx) burners. As a result, we have reduced NOx emissions from the plant by about one-third.

Several projects targeted volatile organic components (VOCs) from both point and fugitive sources, including new Hexa-cover® technologies in Saudi Kayan that reduce evaporation of volatile organic liquids and wastewater emissions of VOCs and hydrocarbons. Installing these Hexa-covers has reduced our VOC emissions from wastewater retention basins by almost 87% on average.



We have undertaken projects globally to minimize our emissions.



# RISK AND EMERGENCY RESPONSE MANAGEMENT

## CONTINUED

### ENVIRONMENTAL STEWARDSHIP, RISK DISCOVERY, AND MANAGEMENT

Environmental laws and regulations are constantly evolving everywhere we operate. To help us identify and understand these changing requirements, SABIC is an active member of the world's leading chemical associations, including the European Chemical Industry Council (Cefic), the American Chemistry Council (ACC), the Gulf Petrochemicals and Chemicals Association (GPCA), and others. SABIC has also worked with other industry members to provide information needed in the development of the pending European Best Available Techniques Reference Document (BREF) on control of air emissions from chemical operations.

As part of our Responsible Care duties, we are focused not just on compliance with legal requirements, but also on identifying voluntary environmental initiatives where we can make a difference, for instance the WASH Pledge and Operation Clean Sweep® Initiative. In order to support these initiatives, we integrate our commitments for them into our management system and track performance through our environmental key performance indicators.

As noted above, a pillar of SABIC's 2025 Manufacturing Strategy is risk discovery and management. We revised our risk assessment methodology to better identify and prioritize the highest-potential environmental risks. This updated methodology is supported by eSHEM, a new digital tool for users to access all environmental risks and controls across our assets.

We have also linked our risk-discovery tools to our Environmental Emissions Analysis Tool (EEAT), which allows our facilities and environmental staff to easily spot anomalies in emissions data, identify concerns, and follow up with appropriate mitigation measures. Together, these two tools will bring SABIC to the next level in risk awareness and environmental management.

### SECURITY MANAGEMENT

This year, SABIC continued efforts to continually improve the security of its operations. In Saudi Arabia, we launched a special project to ensure all manufacturing affiliates fully comply with new directives from the High Commission for Industrial Security. In the United States, we passed four security audits – three conducted by the US Coast Guard and a fourth by the Department of Homeland Security – with no security issues identified.

To maintain robust security-risk identification and mitigation, we developed a new assessment process based on American Petroleum Industry methodology, executing 15 assessments at our sites. We piloted a workplace violence prevention project in the United States to support our goal of preventing such incidents across the company. And in Saudi Arabia, we implemented a digital system to manage and document affiliate security programs and further trained front-line site security officers on detection and prevention of criminal acts.



### CRISIS MANAGEMENT

This year, SABIC continued to develop our capability to effectively manage serious events and conditions that could impact our business, conducting Crisis Management Leadership Workshops for senior leaders globally. In the workshops, leaders identified crisis management best practices and reviewed crisis incidents from the industry. We updated regional crisis management plans, and held readiness exercises in each geographic region. The exercises involved many scenarios, including natural disasters, IT outages, and manufacturing and supply chain incidents. Finally, we continued to develop and pilot new tools to facilitate communications during crises. Collectively, these actions improved our resilience and also our ability to protect our employees, communities, and business during significant events.

### PRE-INCIDENT PLAN: TESTING EMERGENCY RESPONSE READINESS

Emergency preparedness is critically important while handling hazardous chemicals. A pre-incident plan (PIP) is critical for responding quickly and effectively to serious incidents and emergencies. We use high-consequence scenarios from EHSS programs, including HAZOP, insurance surveys, and facility siting to develop PIPs. They include critical data such as chemical properties, response strategies, potential impact areas, material safety data sheets, personal protection equipment, and more – which are tested through emergency preparedness drills. We conducted 90 PIP scenarios with the help of independent experts this year, and we will conduct others at all global sites by the end of 2020.



Above: Our facilities and environmental staff have EHSS as a core SABIC value.

Left: Emergency preparedness is critically important while handling hazardous chemicals.

# PRODUCT STEWARDSHIP

Across our global supply chain, we emphasize the importance of product stewardship to our EHSS and sustainability programs. By improving product stewardship, we can progress towards our business goals while reducing product health, safety, and environmental risks for employees, customers, and the communities where we work.

SABIC's global Product Stewardship function advances product health and safety knowledge and capabilities – including product risk discovery, hazard communications, and risk management – across all business units. By assessing product safety and tracking regulatory developments, the function obtains and maintains licenses to manufacture and sell products globally – a critical contribution to business growth. It embraces Responsible Care product safety concepts and implements them throughout the value chain.

The team combines expertise in raw materials and product and process chemistry with a solid understanding of global chemical regulations. The team uses its expertise in toxicological sciences, chemical hazard risk assessment, and sustainable chemistry to drive product health and safety improvements.

We describe the key program highlights this year in the following sections.

## KNOWLEDGE AND COMPETENCY

The education of our workforce on key product safety principles is essential to cultivating a sense of ownership and best practices. This year, we started implementing two new initiatives.

The first is a certification with six product safety modules for around 60 roles, such as EHSS professionals, laboratory supervisors, chemists and scientists, and customer service and sales representatives. We expect to conduct the first pilots in the first half of 2020, with a broader roll out by the end of the year.

The second initiative is the development of core competencies to strengthen the understanding of product stewardship roles. By building up skills, particularly in the rapidly changing fields of toxicological sciences, product safety principles, and chemical-control regulations, we aim to better identify areas for technical growth and continued improvement.

## PRODUCT RISK DISCOVERY AND MANAGEMENT

Our Product Stewardship team strives to continually improve monitoring of global regulatory developments to ensure compliance everywhere we operate. This year, we established global processes for monitoring and tracking these changes and communicating how they might impact our business.

The Product Stewardship function has also played an important role in helping SABIC achieve its sustainability goals by incorporating sustainability considerations into the earliest stages of product research and development (R&D). Since launching a centralized process for EHSS and product stewardship reviews of R&D projects in 2018, we have screened hundreds of projects for early hazard assessment and mitigation, process efficiency improvement, product utility enhancement, material recovery, and the reduction of environmental emissions.

Products must be used safely and as intended. Since 2016, we completed risk characterizations for 40 high-priority products, collecting information on hazards, intended uses, and potential exposures throughout the life cycle to document and communicate EHSS measures to mitigate and manage risks. We completed five risk characterizations in 2019 and aim to achieve our goal of 50 high-priority products by the end of 2020.

SABIC further strengthened safety communication and information exchange with downstream product users. Over the past two years, we have gathered feedback from key customers and stakeholders for 10 priority, high-risk chemicals.

The Product Stewardship team also facilitated better access to product safety information – including product identification, material safety data sheets, and emergency phone numbers – for our supply chain and downstream users globally. This year, SABIC held gap assessments, site audits, and stakeholder discussions at manufacturing sites and logistics hubs to identify areas for improvement. We aim for a global enterprise management system to standardize approaches, reduce risk, and increase efficiency, and we will continue to roll out these new processes.

This year, we capitalized on the launch of our Product Stewardship Center of Excellence by hosting three successful workshops at our Saudi sites to improve product stewardship awareness and identify focus areas and best practices.

Our reporting and investigations around product stewardship incidents continue to evolve. In 2019, 32 incidents came to light, with more reports from employees outside the Product Stewardship team. This shows that the discipline is of growing importance to all employees. Regional product stewards participated in the investigation of each incident, identifying root causes of failure to fully understand or comply with internal requirements and procedures. We rolled out a new incident Learning Management System this year to improve awareness, and in 2020 we will include product stewardship incident reporting and investigations in e-SHEMS.

## CASE STUDY

### ANALYTICAL TESTING FOR SAFER PRODUCTS

The analytical team at SABIC Technology Center Bengaluru is a critical part of the global Product Stewardship team's efforts to strengthen product safety and regulatory compliance. The highly experienced team uses advanced analytical instrumentation for chemical exposure assessments of SABIC products for a safer customer use and handling. This year, the team completed 41 compliance projects, including

- Global regulatory compliance for all food-contact products.
- Fingerprinting for non-intentionally added substances (NIAS) to enable human-health risk assessments.
- OSHA-compliant methodologies to measure occupational exposure limits for manufacturing.
- Substance evaluation for pharmaceutical and healthcare applications to comply with US and EU pharmacopoeia guidelines, an organization designed to improve the health of people around the world by setting quality standards.
- Root-cause investigations on manufacturing deviations in products used by highly regulated industries.
- Bio-availability studies for chemical hazard assessments, aligning with our globally harmonized classification and labeling system

## ENHANCED PRODUCT STEWARDSHIP IN VALUE CHAIN COMMUNICATION

This year, SABIC improved stakeholder access to product safety information. To make our safety data sheets more prevalent and accessible to the public, we authored twice as many as the previous year, covering 86 countries and 41 languages. Moreover, we initiated a program to give downstream users around-the-clock access to these important documents.

As a Responsible Care company, we fulfill safety and regulatory obligations and strive to help our customers do the same. Accordingly, we continue to advance and automate compliance systems for greater customer responsiveness, accuracy, efficiency, control, and oversight. This year, we responded to over 10,000 compliance confirmation inquiries, supporting customer regulatory-compliance needs, especially in the growing areas of EU REACH status, California Proposition 65 listing, halogen-free designations, and identification and reduction of impurity levels.

We updated and expanded our food contact compliance declaration across our polypropylene portfolio. By combining four existing compliance declarations into one, customers can more quickly check product compliance with regulations from Europe, the United States, China, and beyond.



Sustainability considerations are incorporated into the earliest stages of product research and development.



## PRODUCT STEWARDSHIP CONTINUED

### ADVOCACY AND ENGAGEMENT

Product Stewardship is centralizing and streamlining sustainability and regulatory requests from other business functions into our Customer Declaration Portal. For instance, our new CompLetter IT system generates standardized compliance letters, such as food contact for all polymer products. Through this system, we improve publishing time, letter contents, and customer satisfaction.

Our Product Stewardship team is active in a number of global industry associations, working directly with industry peers and regulators to improve the safety and sustainability of our industry and products. We worked with the American Chemistry Council to develop Product Safety Human Health metrics that measure company data-sharing and hazard-assessment performance. We will continue to be a strong voice on this important initiative to drive the transparency and advancement of product safety. In Europe, we worked with PlasticsEurope, an association of plastics manufacturers to support market expansion of our TRUCIRCLE™ circular polymers product, made from the chemical recycling of plastic waste.

We worked closely with the Gulf Petrochemicals and Chemicals Association this year, participating in three peer reviews, leading workshops for regulatory round-tables, and attending regional Responsible Care committee meetings to foster a better product stewardship culture in the Middle East.



We continue to drive the transparency and advancement of product safety.

### CASE STUDY

#### CASCADING SUSTAINABILITY COMMITMENTS TO VALUE CHAIN

SABIC has invested significant resources to global sustainability programs such as the Alliance to End Plastic Waste, and Operation Clean Sweep® to reduce plastic pollution in the environment. While SABIC undertakes a number of initiatives to support these important global sustainability programs, Product Stewardship began more proactive communications, using safety data sheets as a vehicle, to encourage our value chain, to implement “systems and practices, to prevent... and address incidental releases in order to protect the aquatic environment from potential (long term) negative effects of plastic materials.” This simple, additional step encourages our partners to embrace these important global sustainability programs to pursue and support efforts to reduce plastic pollution.

## LOOKING FORWARD

EHSS is a dynamic field in which successful companies must remain focused, vigilant and agile. In 2020, we will continue to ensure that EHSS is a core SABIC value that is embedded in our DNA.

We will continue to strengthen our culture of safety, and environmental protection. To achieve our goal of reducing our global EHSS incident rate to less than 0.25 by 2025, we will increase workforce training at every level on the tools and systems developed for industry-leading safety practices. We will build on our culture of continual improvement in order to ensure that safety and environmental protection are everyone's top priorities.

Our risk discovery, assessment, and management efforts are central to achieving our environmental, health and safety goals. We will continue to assess risks in our daily operations and those from our products, and to develop proactive approaches to minimize those risks.

To ensure the safety of our employees, suppliers, and stakeholders around the globe, SABIC will continue to provide clear, accessible safety data for chemicals of concern, and to ensure that safety data sheets for all SABIC products are available across our value chain.

As we evolve and strengthen our practices, and continue to advance our digital transformation that accelerates our work toward global excellence, we will always rely on our foundation of key pillars. We are committed to highly visible, transparent, and strong internal and external stakeholder engagement; continuous improvement of EHSS competencies; cultivating a culture of excellence; well-documented and fully executed health, safety, and environmental standards, guidelines, and plans; encouraging and sustaining strong EHSS awareness across around the globe; and comprehensive process risk discovery and management programs.

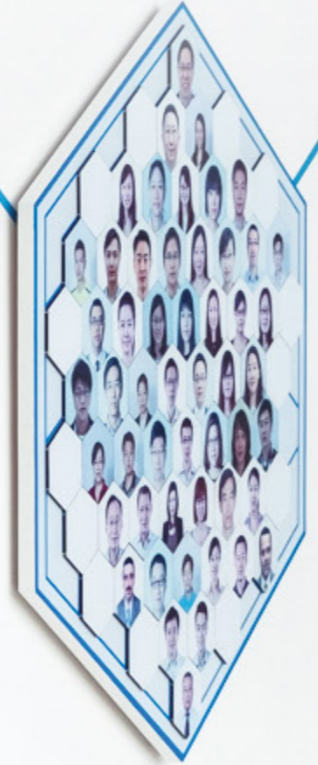
We will continue to excel in product stewardship principles, particularly in product risk discovery and management, chemical regulatory monitoring and management, effective communications with our customers and the downstream value chain, and embrace an unwavering commitment to product safety and regulatory affairs operations and initiatives, everywhere we operate.



We continue to strengthen our culture of safety, and environmental protection.



# ENGAGEMENT AND COLLABORATION



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## OUR APPROACH

SABIC operates in 50 countries globally. Wherever we have a presence, we value and invest in our key stakeholders – including employees, communities, and other businesses. Through continuous engagement and collaboration, we strive to lead our industry and ensure a sustainable future for our business, our people, and the planet.

At SABIC, human capital is the most valued asset. We aim to provide a platform for our employees to make an impact and innovate, to grow diverse talents through development and learning, to be challenged and thrive in unique global communities in the industry, and to create value by helping other employees fulfill their full potential. By continuously investing in people, we are ensuring that our business will continue to thrive.

We understand the importance of healthy, sustainable communities. Through corporate social responsibility (CSR) programs, we support social and environmental initiatives that benefit communities where we operate. This benefit is multiplied by our employees, who willingly volunteer their time to many different causes for people and places in need.

We focus on sustainability at every step of our supply chain, pushing ourselves and our service providers to continually improve their policies for energy, emissions, and waste. We are a member of global initiatives that aim to improve environmental practices in the supply chain and the industry as a whole, and we support United Nations and G20 efforts to reduce plastic pollution in partnership with our business peers.

These engagements and collaborative efforts inspire us to lead and innovate, while benefiting our business and reflecting our vision and values.

## OUR PERFORMANCE

### 2019 HIGHLIGHTS

#### HUMAN CAPITAL

We released a new Employee Value Proposition, “Let’s Explore What Matters,” to foster a culture of open communication and collaborative dialogue between employees and leaders, based on uncompromising integrity and the SABIC values: Inspire, Engage, Create and Deliver. In addition, we developed our leadership platform, the SABIC Leadership Way, through interactive sessions with 5,000 employees at over 50 global sites. The program challenged them to collaborate, drive innovation, and cultivate the next generation.

#### SOCIAL IMPACT AND COMMUNITY RELATIONSHIPS

SABIC contributed a total of US\$15.6 million through corporate social responsibility programs globally this year. Our seven global initiatives – comprised of 185 programs in 103 cities and 22 countries – focused on science and technology education, environmental protection, health and wellness, water and sustainable agriculture. Through these important programs, 2,531 SABIC employees dedicated 10,874 volunteer hours to benefit over 340,000 individuals worldwide.

#### SUPPLY CHAIN

SABIC ranked in the top 1 percent of the industrial category “Basic Chemicals, Fertilizers, Plastics, and Synthetic Rubber Companies” by EcoVadis, recognizing our performance on environmental sustainability and corporate social responsibility.

Our next-generation vessels – GasChem Belgua and GasChem Orca – continued to beat the industry average in fuel efficiency and greenhouse-gas emission reduction thanks to their breakthrough hull design and optimized use of ethane fuel. Together they saved approximately 20,000 tCO<sub>2</sub>eq of greenhouse-gas emissions in 2019.

SABIC participated in the Carbon Disclosure Project for the first time this year and more closely and actively engaged with suppliers. Together, we are working to improve the transparency of our supply chain carbon footprint and identify emission hot spots and reduction opportunities.



Our seven global initiatives focused on science and technology education, environmental protection, health and wellness, and water and sustainable agriculture.

# HUMAN CAPITAL

At SABIC, success starts with our employees and high-performing teams. To become the preferred world leader in chemicals, SABIC attracts, develops, and retains exceptional talent – and ensures our people are in the right roles and right teams to fulfill their potential.

SABIC's Human Resources department is structured to create a performance culture that encourages continuous learning, open dialogue, and career development, while rewarding great performance. Our human resources model consists of three core pillars: strategic human resources business partners, operations, and specialized communities of expertise.

This year, we looked at what it means to be a SABIC employee, and how to create 'Chemistry that Matters™' across the employee journey. This led to a refreshed employee value proposition, known as "Let's Explore What Matters," which reflects the SABIC we know today and the transformation ahead. The proposition is an invitation to open a frank dialogue between leaders and employees, and a chance to deepen relationships.

Our human resources operating model drives engagement and dialogue with business partners, addresses challenges and opportunities through the Center of Excellence, and continuously improves and refines employee experience through the Human Resources Operations team.

We foster a culture of collaboration and dialogue at SABIC, and we continue to invest in improving communication.

## PETROKEMYA INTEGRATED SITE

This year, SABIC completed the integration of two manufacturing affiliates, SADAF and Petrokemya. The project is part of a transformation that began in 2015 to ensure delivery of our vision, strategy, and ambition to become the world's preferred supplier of chemicals by 2025. We empowered our human capital to create value in the integration through agile leadership, culture, and organization, which are all key goals of the transformation.

The human resources work stream played an integral role. It studied existing organizations and collaborated with work streams from Manufacturing, EHSS, Legal, IT, and Finance to co-create the new organization and address change management.



SABIC attracts, develops, and retains exceptional talent.

## PERFORMANCE METRICS

<p>EMPLOYEES GLOBALLY</p> <p><b>33,000+</b></p>	<p>WORKFORCE DISTRIBUTION</p> <p>Middle East and Africa</p> <p><b>63%</b></p> <p>15.8% Europe, 8.7% Asia and 11.6% Americas</p>	<p>WOMEN IN THE WORKFORCE</p> <p><b>7.5%</b></p> <p>of total workforce</p>
<p>SABIC SCHOLARSHIP PROGRAM STUDENTS</p> <p><b>600+</b></p> <p>585 Male, 19 Female</p>	<p>GLOBAL ASSIGNMENTS</p> <p><b>350+</b></p>	<p>SABIC LEADERSHIP TRAINING PARTICIPANTS</p> <p><b>700+</b></p> <p>36 programs conducted</p>
<p>GOVERNMENT LEADERSHIP PROGRAM PARTICIPANTS</p> <p><b>120</b></p> <p>4 sessions</p>	<p>LEARNING AND DEVELOPMENT PROGRAMS</p> <p><b>1,900+</b></p>	<p>TRAINING PROGRAM PARTICIPANTS</p> <p><b>15,000+</b></p>

We empower our human capital to create value in the integration through agile leadership, culture, and organization, which are all key goals of the transformation.



## OUR WORKFORCE

### CONTINUING THE DIALOGUE

To support dialogue with employees globally, Yousef Al-Benyani, Vice Chairman and CEO, hosted the Annual Global CEO Dialogue Town Hall at Global Headquarters in Riyadh, Saudi Arabia, with interactive live streaming to sites throughout the Middle East and Africa, Europe, the Americas, and the Asia-Pacific regions. The town hall highlighted SABIC's progress, the economic and environmental challenges of our business, and the focus and commitment needed from employees. We will continue to invest in events like this that support open dialogue.

### 2019 EMPLOYEE SURVEY

SABIC surveyed employees globally this year. The survey covered work environment, job challenges, performance culture, career development and growth, management and strategic leadership, communication, collaboration and engagement, sustainability, innovation, and continuous improvement. More than 19,000 participants shared over 22,000 comments, and the outcomes were shared openly with all employees. More than 1,000 leaders received individualized reports to drive team-planning in 2020.

#Accelerate is an innovative new platform that gives talented employees the opportunity to accelerate development by joining existing projects or new initiatives outside of their daily functions.

### TALKS

Through our global employee survey, we learned that employees want deeper, more frequent engagement in the Talent Review Process (TRP). We responded with Talk5 – named after the goal of five types of employee-and-leadership conversations at least five times a year – to promote listening and sharing ideas, aspirations, and ambitions. We are grateful for the employee input that helped to shape the TRP, and we are proud that they are committed to getting the most out of their SABIC career journeys. The enhanced TRP and employee value proposition will continue to improve the way we work and interact.

### #ACCELERATE

#Accelerate is an innovative new platform that gives talented and passionate employees the opportunity to accelerate development by joining existing projects or new initiatives outside of their daily functions. Employees develop new skills, build experience from other departments, share knowledge, and connect with people who share the same interests globally.

This year, Human Resources piloted the program under the name #Accelerate Experiment. To leverage experiential learning and cross-functional collaboration, we will make #Accelerate a 2020 priority company-wide. Through programs like #Accelerate, which are highly relevant to employees, we will continue to thrive in a constantly evolving marketplace.

### SABIC LEADERSHIP WAY

SABIC creates an environment where the entire workforce – individually and collectively – is motivated to reach its full potential. The SABIC Leadership Way (SLW) has guiding principles that set standards for leadership and align with our mission to create ‘Chemistry that Matters’.

SLW focuses on leadership skills and behaviors, defining four leadership types: talent champion, collaboration partner, innovation pioneer, and excellence driver. It fosters a sustainable corporate culture, making us a global employer of choice that attracts top talent. The SLW helps our leaders to innovate, collaborate, and improve costs. Most importantly, SABIC leaders are expected to have integrity, take personal responsibility, and develop the next generation of leaders. We call this to “Be the Impact!”

This year, SLW grew in our culture through interactive sessions with 5,000 leaders at 50 global sites. The leadership principles have come to life through local communities and reached our institutions through global talent management systems and processes, including performance management, leadership development, and assessment.

### STRATEGIC WORKFORCE PLANNING

The goal of Strategic Workforce Planning (SWP) is to have the right people in the right jobs – at the right time and cost – for a cohesive, productive, and forward-looking organization. To this end, our five-year Strategic Workforce Plan sets the direction of our company-wide human capital strategy and is crucial to our global operations and transformation.

This year, we used SWP to analyze “what-if” issues – such as growth, automation, and artificial intelligence – and their potential impacts on financial and human capital. Through the cases, in addition to evidence-

based data analytics and action prioritizations, SWP helps us to retain employees, identify talent, develop employee competency and gap-assessments, and plan for the business cycle, ensuring that SABIC is healthy in the present and prepared for the future.

### ONE HUMAN RESOURCES PLATFORM

We are creating a “One HR Platform” to streamline Human Resources processes into an integrated global platform that drives employee attraction and retention. The One HR Platform will be a holistic approach to managing our human capital – everything from recruiting and onboarding, to learning and career development, to retirement – so the employee experience is consistent across our global operations. The new system will launch in 2020.

### EMPLOYER AWARDS

The Top Employers Institute recognized SABIC as one of the world's best employers again this year. The global authority on excellent people practices, the Top Employers Institute helps organizations to accelerate the impact of people strategies and to enrich the world of work. We attained the institute's Asia Pacific 2020 certification for the seventh year in a row, as well as achieving Top Employers 2020 certifications in five of our key Asian markets: China, India, Japan, South Korea, and Singapore. The China certification is especially exciting, as it is our tenth consecutive award in that market.

We were also recognized by the Financial Times this year. Together with its research partner Statista, the Financial Times surveyed the diversity and inclusion performance of 10,000 companies in 10 European countries, and ranked 700 leaders on their policies and practices. Unlike many existing rankings, this initiative examined inclusion holistically, including gender balance, openness to all forms of sexual orientation, support for people with disabilities, and striving for an ethnic and social mix that reflects the broader society. SABIC ranked 60th, which speaks to our commitment to create a truly inclusive, diverse workplace and culture.

### THE SABIC ACADEMY

The SABIC Academy has served as our core learning platform since 2012, hosting more than 6,000 courses to support learning in every profession and area of our business. This year, the academy featured a Sustainability Ambassador Program to train employees from our Petrochemicals business about the importance of sustainability. Three modules enabled employees to start with basic topics, like climate contexts and the triple-bottom-line of people, planet, and profit, move to more advanced topics, including the circular economy and product life-cycle thinking, and finally effectively communicate



**ABDULAZIZ AL-ODAN**  
Executive Vice President,  
Corporate Human Resources, SABIC

We develop best human resources practices in Saudi Arabia and prepare young Saudis for the emerging labor market by advancing their skills and potential.

sustainability and avoid greenwashing. At the end, each market-facing employee became a “sustainability ambassador.”

### SAUDI ARABIA VISION 2030

SABIC continues to invest heavily in Saudi Vision 2030, and we believe that cultivating human capital plays a major role in its success. We develop best human resources practices in Saudi Arabia and prepare young Saudis for the emerging labor market by advancing their skills and potential.

### SERA

SABIC leads the chemical industry in setting safety and security standards for employees, businesses, and communities. This year, in partnership with the Saudi Ministry of Interior, we established the SABIC Emergency Response Academy (SERA), a state-of-the-art facility that will enhance industrial safety and security through training programs, seminars, and simulations. Academy trainees learn best practices in systems management, monitoring and inspection, physical fitness and self defense, firearms use, firefighting, first aid, and rescue operations, among other topics. The facility is expected to be completed and opened in 2021.

## OUR WORKFORCE CONTINUED

### GOVERNMENT LEADERSHIP PROGRAM

The SABIC Leadership Program (SLP) for government officials was created in 2016 to share our expertise in leadership development with government. The program strives to create global thought leaders. This year, a training and think tank, as part of the SLP, enabled leaders to meet in person, network, and collaborate. More than 120 officials participated in SLP this year, and we plan to hold a similar forum in 2020.

### SAUDI HR THINK TANK

SABIC launched the Saudi HR Think Tank (SHRTT) this year to support capacity building and sustainable transformation in Saudi Arabia's human resources industry. The group, with SABIC human resources executives and senior professionals from the public sector, is a platform for connection, knowledge sharing, and collaboration. Our hopes are high for 2020, as SHRTT aims to grow its membership, create further tangible impact, and help shape future human resources leaders and best practices.

### ENTREPRENEURSHIP AWARD

The SABIC Entrepreneurship Award supports students in the US who could become entrepreneurs and industry leaders. Activities include workshops, discussions with SABIC leaders, and training camps for skills and practical knowledge. The goal is to fund a cutting-edge education and competitive advantage for these young entrepreneurs. This year, five winners selected from over 150 participants received US\$500,000.

### SUMMER INNOVATION PROGRAM

Our annual SABIC Summer Innovation Program was held in Riyadh, Jubail, and Yanbu this year with the theme "Our Youth: Vision and Aspiration." Content focused on manufacturing, research and development, and business, with four main areas: employee experience, job preparation, edutainment (video games with an educational focus), and creativity and innovation. The program used innovative technologies, such as virtual reality and artificial intelligence, in addition to gamification, fabrication, and group activities. More than 400 took part.



SABIC believes that cultivating human capital plays a major role in the success of Saudi Vision 2030.

## DIVERSITY, INCLUSION, AND COLLABORATION

At SABIC, we recognize that diversity of experience, knowledge, and ideas – and an inclusive and collaborative atmosphere – makes our company more creative, innovative, and effective. We take pride in our ability to attract and retain the best and brightest people from around the world, and we work hard to support and engage employees and future leaders.

### WOMEN SCHOLARSHIP

This year, we began offering the SABIC Scholarship Program to female high school graduates, making up 30 percent of all recipients. We are excited to help young women continue in higher education and realize their career potential, and we hope to increase the number of female scholarship recipients in 2020.

### SABIC YOUNG LEADERSHIP COUNCIL

Launched this year, the SABIC Young Leaders Council (SYLC) is a platform for the next generation of leaders to interact with our CEO and executive leadership. The council empowers young leaders to shape business decisions and organization culture for a vibrant future. SYLC's focus areas – the future of the workplace, cultivating a global company, competitiveness, and future capabilities – fit in with existing initiatives and help shape our strategy. The council promotes engagement and ideas that go beyond key performance indicators, exploring what matters to our multi-generational workforce.

"The younger generations are eager to get involved and start shaping our future. The council is a fantastic opportunity to work closely with colleagues globally and across functions." – Maria Garcia Duval, SYLC member, SABIC

### TALENT COMMUNITIES

SABIC Talent Communities are forums for leaders to share advice on key people processes, including succession planning, people development, and talent exchange.

This year, we established the Global HR Talent Community to anticipate changes, develop the talent pipeline, and strengthen opportunities. As the communities have evolved, traditional, single-point planning has shifted to proactive networks of senior leaders making strategic decisions, impacting talent growth and movement, and employee engagement and retention. We will continue to develop this important network next year.

Frank Hermans, a Senior Accountant from the Netherlands, had the opportunity to undertake a two-month assignment in Shanghai, China, in 2019. While there, he joined the Global Financial Accounting & Reporting (GFA&R) Asia-Pacific team to exchange knowledge and gain global experience.

"When I saw this unique assignment in Shanghai, I was very keen. I knew it would help me to grow professionally and personally. The two months were really valuable. I expanded my business knowledge and shared best practices. It was also a great opportunity to explore a new culture and build my global SABIC network. I was honored to share my experiences with the Finance Talent Community."



Frank Hermans, Senior Accountant, SABIC.

### YOUNG SABIC PROFESSIONALS

Young SABIC Professionals (YSP) fosters the personal and professional growth of young employees. Now operating in every SABIC region, the groups host events that inspire learning, open communication, and further dialogue – as well as comradery and fun.

The events include everything from software training, to EHSS and sustainability workshops, to soccer and games for employees and their children. This year's first gathering in Riyadh, "YSP Talks," gave young employees the chance to hear career stories and advice from senior SABIC executives.



# SOCIAL IMPACT AND COMMUNITY RELATIONSHIPS

At SABIC, we realize that our long-term success depends on the success of the places where we live and work. We seek to help communities across the globe by investing in social and environmental initiatives that benefit people and the planet, while supporting sustainable business development at a global scale.

SABIC's Corporate Social Responsibility (CSR) Initiatives focus on four strategic priority areas: science and technology education, environmental protection, health and wellness, and water and sustainable agriculture, contributing to Saudi Vision 2030 and 10 of the United Nations' Sustainable Development Goals. We are also committed to community giving, helping those who are most in need.

This year, we invested more than US\$15.6 million into CSR initiatives that meet these criteria – 185 programs in 103 cities and 22 countries. Some 2,531 SABIC volunteers contributed a combined 10,874 hours, benefiting more than 340,000 people worldwide.

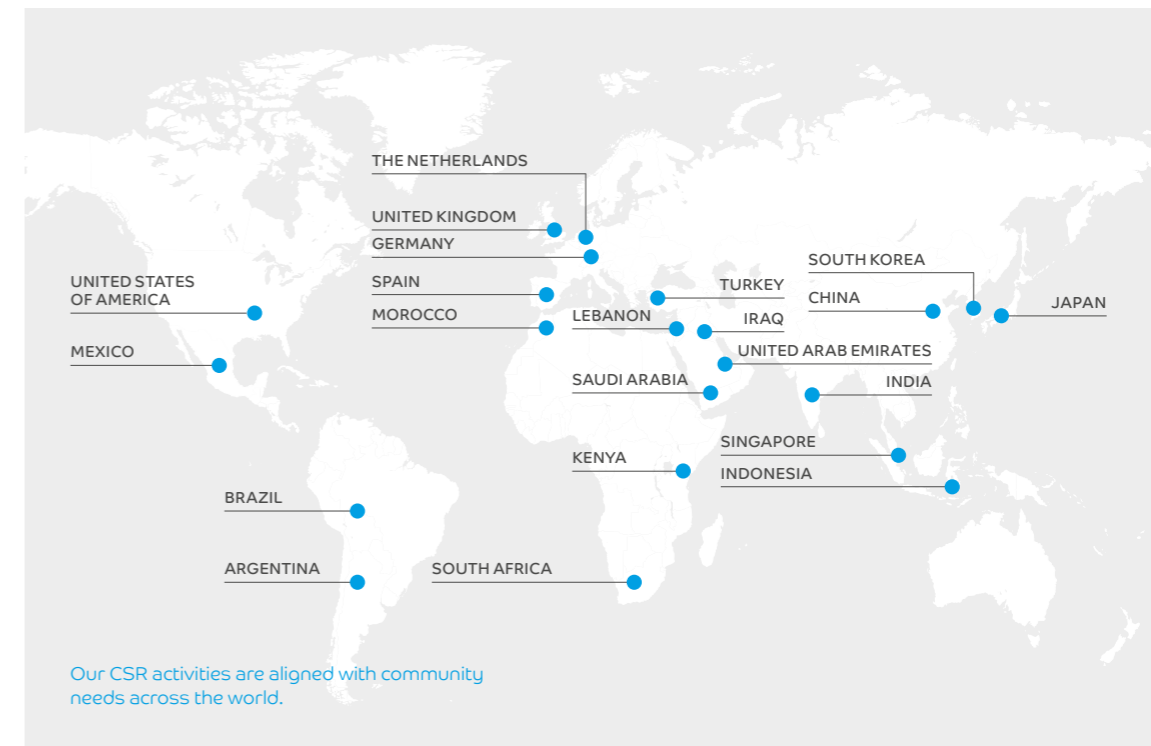
Our CSR efforts garnered multiple awards in 2019. SABIC ranked in the top 1 percent of best CSR performers by Ecovadis, and we were the only chemical company to win the Public Welfare Practice Contribution Award from Yicai Group in China, which recognized our long-term practices and outstanding contributions in the field of CSR. In addition, SABIC won the Communities and Reputation Award in the United Kingdom at the 2019 NEPIC Industry Awards having demonstrated an outstanding campaign supporting communities across all aspects of social responsibility.



CSR programs strengthen communities and give employees opportunities to volunteer.

INVESTMENT IN 2019 (US\$ MILLION)	TOTAL INVESTMENT OVER THE PAST 18 YEARS (US\$ MILLION)	GLOBAL EMPLOYEE VOLUNTEERS
15.6	962+	2,531
GLOBAL PROGRAMS	CITIES IN 22 COUNTRIES REACHED	BENEFICIARIES REACHED (THOUSANDS)
185	103	340+

# GLOBAL CSR INITIATIVES REACH AND FOCUS AREAS



## WATER AND SUSTAINABLE AGRICULTURE

SABIC understands the critical connection between managing water and sanitation, and the efficient and sustainable production of food and energy. We help to end hunger, improve nutrition, and achieve food security by addressing water and waste, and supporting innovation for sustainable agriculture. This year, we supported eight programs that addressed water and sustainable agriculture initiatives across the globe.

For the second year in a row, SABIC Agricultural Field Schools deepened relationships with agricultural communities in Saudi Arabia, and encouraged cooperation between farmers and our scientists. Projects on small- and medium-sized farms successfully applied our advanced agri-nutrients, which can reduce the need for irrigation water by 70 percent while curbing insect and fungal infections on plants and trees. This year, the programs benefited more than 500 farmers.

SABIC supported the Saudi dates industry through several initiatives this year. We sponsored the first annual Ajwah Dates Forum, where we presented a variety of sustainable, environmentally friendly agri-nutrient solutions to support palm farmers, and we continued our annual sponsorship of the Buraidah Dates Festival.

# GLOBAL CSR INITIATIVES REACH AND FOCUS AREAS

## CONTINUED

### SCIENCE AND TECHNOLOGY EDUCATION

SABIC is committed to quality education and lifelong learning for all. We foster innovation and progress through education, and we work to expand the STEM (science, technology, engineering, and mathematics) talent pipeline for SABIC globally.

This year, SABIC supported 45 education programs, including several global initiatives.

Our Global Initiative for Education and Innovation, which was launched in partnership with Junior Achievement Worldwide and INJAZ, organizations that drive youth education and training, has reached 94,442 students in 1,678 schools and 10 countries since its inception. The initiative helps prepare students for professional life by encouraging critical thinking and innovative solutions.

In Saudi Arabia, 90,085 students across 1,502 educational institutions ranging from primary schools to universities benefited from the initiative through a range of programs, which promote awareness in areas such as environmental stewardship, personal planning, leadership, and business acumen.

Among the initiatives is the Lights of Our Future competition, which instills a commitment to sustainability and environmental stewardship in students. Introduced in China in 2014, Lights of Our Future has engaged more than 3,300 students. More than 520 SABIC employee volunteers have devoted nearly 7,000 hours to developing courses and materials, and 83 schoolteachers have contributed more than 2,000 hours to teaching and supporting program activities. The 2019 competition focused on sustainability and inclusive development in urban public spaces.



SABIC's Global Back to School program is tailor made to suit each location.

Our Global Initiative for Education and Innovation, which was launched in partnership with Junior Achievement Worldwide and INJAZ, has reached 94,442 students in 1,678 schools and 10 countries since its inception.

Our Connected with Tomorrow program, in Campinas, Brazil, is also part of the global initiative. This year, 22 SABIC employees volunteered to teach 105 students at the Campinas Technical School on topics that include interview skills, career development, professional ethics, and the importance of networking. Students were curious, appreciative, and excited to hear real-life experiences from their volunteer teachers.

In Spain, the initiative included edutainment activities for students, focusing on life skills and personal development. In the United States, SABIC volunteers shared their time and experience with young students, and helped them to explore potential academic fields and careers. The SABIC Global Initiative also held programs in South Africa, Singapore, South Korea and the UAE this year.

SABIC has also continued the Global Back to School Initiative, reaching 136,758 beneficiaries in 11 countries since its inception. This program is tailor-made to suit each location, and 2019 highlights included school-backpack distribution in Argentina, programs to provide school desks in Kenya and support school infrastructure in India, educational programs throughout the United States, and the Chemical Innovation Challenge competition in China. The Global Back to School Initiative also supported programs in Indonesia, Saudi Arabia, Lebanon, Brazil, the United Kingdom, Spain, and The Netherlands.

The SABIC Global Back to School Initiative also involved the following countries this year: China, Indonesia, Saudi Arabia, Lebanon, Brazil, the United Kingdom, Spain, and the Netherlands.

The SABIC Global Science Caravan – which offers programs in technology, chemistry, space science, and mathematics toured the United Arab Emirates this year. The initiative, built on a 2018 caravan that reached more than 70,000 students in Saudi Arabia, benefited over 2,000 students in the UAE.

Our Global Waste-Free Environment Initiative, comprised of 44 programs in 16 countries, addresses environmental sustainability, with a focus on ocean and waterway pollution that impacts marine life.

### ENVIRONMENTAL PROTECTION

SABIC works to tackle climate change and environmental impacts worldwide through innovation, sustainable energy production, environmental education, and a commitment to clean water and a waste-free environment. We believe these critical efforts improve our everyday lives, drive economic vitality, and safeguard the planet for future generations.

Our Global Waste-Free Environment Initiative, comprised of 44 programs in 16 countries, addresses environmental sustainability, with a focus on ocean and waterway pollution that impacts marine life. This year, SABIC held events at five locations in Riyadh,

featuring stage shows, competitions for children and adults, and awareness and recreational activities. Volunteers helped to plant 4,000 trees as part of the event.

SABIC Kenya held a beach cleanup on the Kenyan coast in partnership with Eco World Watamu, a community-based waste management and recycling center, and the Watamu Marine Association. The organizations distribute bins for recycling and waste, and educate the local community and tourism industry on waste management and disposal. Fourteen SABIC volunteers participated in the cleanup this year. In the Netherlands, SABIC volunteers joined school children, residents, and other organizations for Bergen op Schoondays, a community event focusing on clean-up and environmental awareness. Seventeen SABIC employees visited four elementary schools as part of the event, teaching the benefits of plastic and the importance of proper disposal.

Our Global Waste-Free Environment Initiative also included an environmental protection-themed fair with waste-sorting workshops in China, school awareness sessions in the United Kingdom, and tree planting in Argentina and South Korea, and SABIC volunteers participated in World Clean-Up Day events in Mexico and Brazil. SABIC also held events in Spain, the United States, South Africa, Japan, Singapore, Indonesia, and the UAE.



Above: SABIC volunteers taught the benefits of plastic and importance of proper disposal to young students.

Left: SABIC's global Waste-Free Environment Initiative included beach cleaning.



# GLOBAL CSR INITIATIVES REACH AND FOCUS AREAS CONTINUED

## HEALTH AND WELLNESS

At SABIC, we believe in investing in people and communities. This philosophy drives us to create and support initiatives for the health and well-being of employees, environments, and society at large.

This year, we supported 23 programs through the SABIC Global Health Initiative, benefiting 110,016 people in eight countries. Support went to hospitals, shelters for the needy, and sports events that promote health and fitness.

We honored the winners of this year's SABIC National Mental Health Promotion Award for their efforts in providing quality programs and services that improve mental health and strengthen communities. The initiative aims to inspire innovation and a change our view of mental health. Participants competed in four areas: awareness and education programs, community initiatives, service improvement projects, and scientific production and research.

For the fifth year in a row, SABIC partnered with local government and non-governmental organizations in India to offer the They See, They Learn program, which raises awareness of eye care and corrects vision problems that can affect learning. Through this program, SABIC offers young people free vision screenings and glasses if needed. More than 100,000 students were screened through the program this year, helping them to see blackboards and teaching materials clearly for the first time, enabling deeper engagement and learning.

In Saudi Arabia, SABIC supported AJWAD Underprivileged Home Care, which rehabilitates patients by teaching them life skills, including personal care, social skills, and self-sufficiency. Our funding for AJWAD benefited 49 individuals this year. In addition, our support for Kanaf, which provides medical insurance for orphans, insured 1,000 children in 2019.

SABIC employees in the United Kingdom participated in the Eston Nab Challenge, a trail-running race that tests contestants' fitness and stamina over 5 or 10 kilometers. SABIC was the title sponsor of this competition, which debuted this year with more than 200 runners.

Other countries involved in our Global Health Initiative include the United States, Lebanon, Mexico, the Netherlands, and Spain.



SABIC is committed to the health and wellness of our employees and communities.

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## COMMUNITY GIVING

SABIC believes in contributing to the communities that are the bedrock of our success. Through our business, economies flourish, and through our charitable giving, social responsibility programs, and volunteering, our benefit to society is maximized. This year, our Global Social Initiative benefited 17 countries with 65 programs to support vulnerable populations, and 2,531 SABIC volunteers contributed 10,874 hours of service.

The SABIC Women Network (SWN) in Singapore partnered with the non-profit Children's Wishing Well to support children from disadvantaged families. Forty-three SABIC volunteers "granted wishes" to 63 young people in need, including a fun day out, lunch, and an educational trip to the aquarium. Beneficiaries also received a gift pack of school supplies from the group.

Volunteers from SABIC South America worked with Red Solidaria and Fundación SI in Argentina to deliver more than 1,000 blankets and thermal soup cups to homeless people during cold season. SABIC also helped provide warm school uniforms for children in South Africa, and participated in a Sharing Love Bread event in Seoul providing food for the needy.

In Brazil, SABIC volunteers designed a play illustrating the importance of empathy and human feelings for adolescents. Meanwhile in Germany, employees demonstrated the importance of our body's arms and hands in an interactive presentation, serving as a reminder to be grateful for what we have, and to take the opportunity to put our gifts to good use.

Our Global Social Initiative reached several other countries including Saudi Arabia, the UAE, Lebanon, Iraq, the United Kingdom, the United States, Mexico, Morocco, the Netherlands, Spain, and Japan.



Creating 'Chemistry that Matters™' for a circular future.

## SUPPLY CHAIN AND PROCUREMENT

At SABIC, we work closely with suppliers to conserve natural resources and reduce carbon emissions at every step in the supply chain. By focusing on environmental and social sustainability, we contribute to the communities where we operate, creating shared value for employees, service providers, and the industry as a whole.

2019 was another great year for global supply chain performance. Approximately 32 million tons of products were delivered to over 140 countries, flowing through some 200 distribution centers and using 500 logistics services providers by land and at sea. Every year, our metrics improve by deeper integration of sustainability – and by raising expectations and accountability across the supply chain.

This year, we continued to implement the SABIC Global Supply Chain Excellence Framework, which consists of nine elements covering all aspects of supply chain governance, including EHSS, operational excellence and customer experience. This overarching framework drives excellence right across our global supply chain. It also guides the development of management tools and procedures to enhance reliability, agility, resilience, and efficiency – as well as to stimulate innovation.



Every year, our supply chain performance improves by deeper integration of sustainability.

### Our Supply Chain Performance Management program, launched in 2017, continued to rapidly scale up our performance this year.

Our Supply Chain Performance Management program, launched in 2017, continued to rapidly scale up our performance this year. The program visually enables us to measure, validate, and analyze performance data and to create new metrics. This year, our average transportation intensity factor was 12.3 grams of carbon dioxide equivalent per ton-kilometer transported (gCO<sub>2</sub>eq/t-km), 2.4 percent lower than 2018. Our absolute supply chain emissions for all transport operations was 2.85 million tons of CO<sub>2</sub>eq, which is 5.2 percent of SABIC's overall emissions.

2019 is also the first year we engaged with suppliers through the Carbon Disclosure Project (CDP) to improve the transparency of our supply chain carbon footprint. Deeper engagement and collaboration with suppliers to manage risk and curb emissions will follow in the long term. We also launched our Supplier Lifecycle Management (SLM) program, which includes robust due diligence to ensure SABIC suppliers meet our sustainable supply chain and procurement requirements.

## SUSTAINABLE SUPPLY CHAINS

SABIC aims to be a global leader in the chemical industry's sustainable supply chains. This goal inspires us to perform better, reduce costs, and improve efficiencies, while bringing value to the people and places we touch.

### ASSESSING LOGISTICS SERVICE PROVIDERS

Logistics service providers (LSPs) are critical to our sustainable supply chain, and we are developing our approach to assessing their environment, health, and safety standards. Assessments help the chemical industry to ensure high standards for current and potential LSPs and help them to benefit from best practices and lessons learned. As public and industry expectations around sustainability evolve, encompassing much more than carbon footprints, these assessments help LSPs to measure and report overall performance and to better understand industry guidelines and client requirements.

Every LSP we work with must comply with SABIC's Supplier Code of Conduct. We have achieved 100 percent compliance for all new suppliers.

### SAFETY AND QUALITY ASSESSMENT SYSTEM

The Safety and Quality Assessment (SQAS) has remained a vital assessment tool in the chemical industry for over 25 years. SABIC utilizes this scheme, among others, to assess LSP performance gaps and areas for improvement, and to identify the best providers in the field.

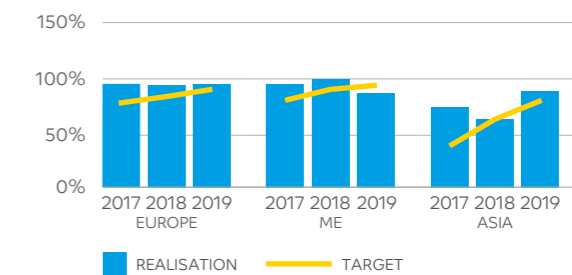
The most recent SQAS enhancements – developed in collaboration with SABIC and other industry stakeholders – include robust criteria for sustainability and corporate social responsibility. The criteria align with our environmental and social-responsibility goals and help us to enhance our sustainable supply chain. This year, we incorporated Operation Clean Sweep® into our SQAS assessments, requiring LSPs to meet the criteria and diligently keep plastics from waste streams and waterways.

We adapted the scheme to create the Gulf SQAS (G-SQAS) for Middle East countries, which includes corporate social responsibility, employee welfare, and fire risk. Since 2018, we added behavior-based safety and trained seven assessors, who have been validated by a G-SQAS committee. All new G-SQAS assessments are based on the 2018 version of the questionnaire.

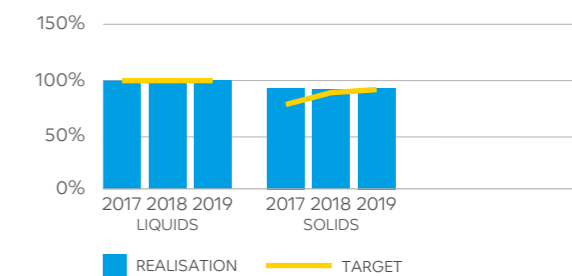
This year, 93 percent of our carriers have been assessed by the SQAS or equivalent schemes, exceeding our target of 91 percent. These include all liquid-goods and solid-bulk carriers in Europe, the Middle East, and China.

### KEY METRICS AND TRENDS

#### SQAS BY REGION FOR LIQUIDS AND SOLIDS



#### SQAS FOR LIQUIDS AND SOLIDS



### CHEMICAL DISTRIBUTION INSTITUTE

SABIC uses the Chemical Distribution Institute (CDI) scheme to ensure that maritime logistics service providers meet industry expectations for safety, security, and quality in chemical transportation and storage. The scheme covers environmental stewardship, social responsibility, and economic vitality, and – through a 2014 partnership with the Dutch Green Award Foundation – includes an audit and environmental certification for vessels. SABIC's participation in CDI helps us manage risks and demonstrate our commitment to our Responsible Care charter.



# SUSTAINABLE SUPPLY CHAINS

## CONTINUED

Over the past 25 years, the scheme has evolved to include more sustainability and transparency objectives, with emphases on preventative maintenance, environmental audits, and employee skills and competencies. The Terminal Inspection Report, now in its sixth edition, includes a “voluntary self-inspection sustainability addendum” (SUS-SID), which enables terminal operators to supply more details about their social and environmental responsibility, supplier compliance, and risk assessment.

In December this year, CDI introduced a new, web-based platform that enables terminal operators to upload the SUS-SID to their current assessment, in real time and upon request. The addition allows operators to provide new information immediately, rather than when their report is due, and enables chemical companies to review all sustainability related questions in the CDI-T database.

SABIC encourages maritime LSPs to make the voluntary self-inspection questionnaire part of the mandatory assessment to support this new transformation.

### CHEMICAL ROAD TRANSPORT SAFETY ASSESSMENT SYSTEM

SABIC transitioned to the Chemical Road Transport Safety System (CRSAS) to manage the quality, safety, security, and environmental performance of road freight carriers in China. Based on SQAS, CRSAS promotes the safe, efficient, and sustainable road transportation of chemical products and dangerous goods. The scheme enables us to fulfill our Responsible Care charter in land transportation in China and complies with our SQAS Sustainability key performance indicator (KPI).

This year, the CRSAS system was upgraded to provide access in both Chinese and English, improve platform functionality, and expand “Together for Sustainability” content, which focuses on issues around labor, human rights, fair competition, business ethics, green transportation, and sustainable development. SABIC reviews assessments and works with providers to uncover gaps, set benchmarks, and develop targeted improvement plans. By August, 26 chemical and biotechnical companies had signed up as shippers, and 166 logistics service providers as carriers.

### SUPPLY CHAIN INCIDENT REPORTING

SABIC reports, analyzes, and tracks incidents across our supply chain. We use our Supply Chain Incident Reporting KPI to measure safety performance and identify improvement areas, and we aim to identify the root cause of every incident to avoid similar problems in the future. We maintain our ambitious multi-year target to achieve either a

10 percent improvement over the average of the past three years or a 10 percent improvement over the previous year’s target, whichever is lower.

This year, two traffic accidents caused us to miss our overall supply chain incident reduction target. We took corrective and preventative measures, and shared lessons learned with LSPs to avoid future accidents. More specifically, we strengthened defensive driving training programs which are verified in the SQAS review. We are also evaluating the content, frequency, and effectiveness of our training programs to look for gaps and opportunities for improvement.

The accidents reminded us that safety is no guarantee – despite continuous improvement in incident rates in previous years. Moving forward, our priority is to strengthen the safety culture and behavior of LSPs.

### REDUCING OUR CARBON FOOTPRINT

SABIC is committed to reducing our supply chain carbon footprint through better understanding, deeper engagement, high degrees of traceability and transparency, and continuous supplier support. Since 2018, we have used our Supply Chain Carbon Footprint Model to trace emission details down to individual-shipment levels, taking into account transport modes and routes where actual fuel consumption can be measured.

From 2013, SABIC has participated in the Carbon Disclosure Program (CDP) to help our customers make their supply chains more sustainable. This year, we took the extra step of becoming one of 125 members of the CDP Supply Chain Platform. Our participation gives us better visibility into the full impact of our own supply chain and provides an opportunity to engage with suppliers to identify emission hot spots and reduction opportunities, including with their suppliers.

In the first year of supplier outreach, we received a response rate of 33 percent and learned much about the overall trends in carbon reduction strategies, opportunities, and the business risks facing suppliers – particularly in light of extreme weather events and greenhouse-gas emissions pricing. Going forward, we are determined to improve supplier response and increase engagement and collaboration with them to reduce carbon emissions together.

### GASCHEM BELUGA AND GASCHEM ORCA

Now in their third year of operation, our next-generation, dual-fuel vessels GasChem Beluga and GasChem Orca, continued to demonstrate outstanding performance in reducing carbon, nitrogen oxides, and sulfur emissions.

This year, both vessels used ethane fuel for 85 percent of their sail, contributing to a reduction of 9,200 tCO<sub>2</sub>eq, making them 10 percent better than an identical vessel using conventional fuel. Their cutting-edge design maximizes carrying capacity, reduces fuel consumption, and stabilizes voyaging. In combination with the use of ethane fuel, the GasChem vessels achieved a total emission reduction of 20,800 tCO<sub>2</sub>eq, with a greenhouse-gas intensity of 15.9 CO<sub>2</sub>eq/t-km.

### CORAL STAR AND CORAL STICHO

Coral Star and Coral Sticho, our two time-charter vessels that carry ethylene cargo between European ports, were designed to run on liquefied natural gas (LNG) as well as conventional fuel. This year, the two vessels sailed on LNG fuel 62 percent of the time, together saving 2,497 tCO<sub>2</sub>eq of emissions. Additionally, Coral Star and Coral Sticho sail at eco-speed rather than full ahead when timing allows, contributing to a further 243 tCO<sub>2</sub>eq reduction this year in addition to cost savings from reduced fuel consumption.

### NCC FAJR

SABIC’s NCC Fajr is the world’s largest-capacity chemical tanker, purpose-built to carry large cargoes efficiently. This year, it completed seven voyages with an average distance of 11,310 kilometers and loading capacity of 76,442 tons. The vessel was at full capacity in all trips and achieved a greenhouse-gas intensity of 5.09 gCO<sub>2</sub>eq/t-km, a 13 percent improvement from last year. NCC Fajr outperforms the industry average for chemical tankers by 50 percent, emitting 30,900 tCO<sub>2</sub>eq/t-km less than the industry average for a tanker doing the same work.

### REDUCING EMISSIONS IN ASIA THROUGH RE-PALLETIZATION

SABIC recently revised its approach to providing feedstock to Asia to reduce carbon emissions and increase efficiency. Initially, European plants sent feedstock directly to eight compounding plants across Asia. By streamlining the process, sending bulk shipments from Europe to China to be re-palletized and shipped to the Asian compounders, we saved 690 tons of CO<sub>2</sub> emissions this year. In addition, we began using electric vehicles to deliver raw materials from the manufacturer to the on-site warehouses. As the vehicles make an average of 20 trips per day, we saved 4 tCO<sub>2</sub>eq of emissions over the year. We anticipate increasing e-vehicle use over the next five to 10 years in China, both to meet regulatory requirements and our own sustainability benchmarks.

### CASE STUDY

#### OPERATION CLEAN SWEEP THE VALUE OF OPERATION CLEAN SWEEP®

More than 25 years ago, the Plastics Industry Association and the American Chemical Council launched Operation Clean Sweep to encourage industry-wide efforts to keep plastics from the world’s streams, rivers, and oceans. Companies, like SABIC, that commit to Operation Clean Sweep, pledge to work toward eliminating 100 percent of spilled plastic pellet, flake, and powder. These efforts help to keep waterways clean and to protect the fish, birds, and marine mammals that mistakenly breathe or ingest spilled plastics. They also save valuable materials.

SABIC’s commitment does not stop at manufacturing sites. This year, we formally added the initiative to our SQAS assessments, requiring that all logistics services providers meet the criteria, and to the assessments executed by our supply chain environment, health, and safety team. The requirements include training programs to support Operation Clean Sweep, implement “zero pellet loss,” and encourage behavior change. Further development and broader application of these programs and assessments will be launched in 2020.

### CASE STUDY

#### EcoVadis Rating

EcoVadis is one of the world’s most trusted providers of business sustainability ratings. Its tool, which ranks firms based on sustainability and corporate social responsibility (CSR) performance, has assessed more than 60,000 companies in 155 countries.

The assessment covers four areas: environment, labor and human rights, ethics, and sustainable procurement. Our rating has progressively increased from 62 out of 100 points in 2016, to 68 in 2018, to 75 in 2019, which places SABIC in the top 1 percent of the industrial category “Basic Chemicals, Fertilizers, Plastics, and Synthetic Rubber Companies.” We are proud that this rating recognizes SABIC’s focus on CSR and commitment to environmental sustainability.

## SUSTAINABLE PROCUREMENT

In accordance with the SABIC Sustainable Procurement Policy, we procure materials and services from suppliers that meet legal, ethical, and fair practices of the Supplier Code of Conduct.

The procurement policy ensures we get the materials and services we need, when we need them, at the lowest total cost of ownership. Suppliers must meet our requirements for quality, environmental and health performance, safety, and security, including safe working conditions, fair and ethical operations, and environmental responsibility.

### SUPPLIER LIFECYCLE MANAGEMENT (SLM)

SABIC utilizes the Supplier Lifecycle Management (SLM) Due Diligence program as its supplier qualification process. The program ensures that suppliers meet our standards before entry into a global database for procurement and supply chain needs. With each new registration, screening, and audit when necessary, we gain more information and detail about the sustainability of our global supply chain, enabling us to assure customers about our ongoing commitment to social and environmental responsibility.

This year, we registered 391 suppliers through SLM, bringing the total to 25,879. Based on due diligence, we identified 90 suppliers that were inactive, underperforming, or failed to comply with the Supplier Code of Conduct. They were subsequently removed from the database.

### INCREASING LOCAL SOURCING EXPENDITURE

SABIC plays a pivotal role in contributing to Saudi Vision 2030, the government's ambitious plan for national growth. We use local materials and services where reasonably possible, and reduce our reliance on imports, by supporting capable local manufacturers and stimulating employment for the local workforce. In addition, our local sourcing

strategy utilizes shorter transportation routes, enables a flexible logistics strategy, and lowers carbon emission from inbound logistics.

This year, 61 percent of our sourcing in Saudi Arabia came from local suppliers, and we are committed to increasing this figure in future years.

### CASE STUDY

#### WASTE PREVENTION IN WAREHOUSES

This year, SABIC's Saudi warehouses adopted the first-in-first-out (FIFO) policy to reduce materials waste. Technicians are now responsible for logging expiration dates for all received materials before storage, and inventory management prioritizes materials that will soon expire.



### KEY METRICS AND ANNUAL TRENDS

NEW SUPPLIERS THROUGH SLM	SUPPLIERS REMOVED FROM SLM	TOTAL SUPPLIERS THROUGH SLM
391	90	25,879

## LOOKING FORWARD

Investing in our human capital, our corporate social responsibility, and our sustainable supply chain is critical to our success as a business. The social and environmental sustainability initiatives and programs we create and support bring benefit to people and the planet, and help us realize our vision of being the employer of choice, a sustainability leader in our industry, and the preferred global supplier of chemicals.

As we move forward, we will continue to align our engagement and collaboration efforts with Saudi Vision 2030, and with our own goal of creating 'Chemistry that Matters™'.

### HUMAN CAPITAL

SABIC is preparing for a healthy future, and our Human Resources department takes the lead to coordinate this effort. Our goals are a common vision and coordinated effort, anchored to our five-year strategic workforce plan and future-skills demand, to continue our organizational transformation and cement our position as the world's preferred supplier of chemicals.

One major initiative, #Accelerate, helps passionate employees grow and develop by joining critical projects that may or may not be related to their daily jobs. The initiative fosters cross-functional collaboration and brings unique experiences to solve complex challenges, while employees develop new skill-sets in new roles, and connect with other driven colleagues. Human Resources aims to roll out the initiative across the company.

We continue to build a diverse and inclusive corporate culture, placing a strong emphasis on supporting employees and developing the next generation. In addition to #Accelerate, other initiatives supporting this journey include SABIC Young Leaders Council, Young SABIC Professionals, and talent communities. We will continue nurturing young talents to be the future leaders of SABIC.

### SOCIAL IMPACT AND COMMUNITY RELATIONSHIPS

SABIC Global Initiative for Education and Innovation will continue during 2020 for eleven additional countries. The initiative will include a variety of programs such as Innovation Camp, Company Program and job shadowing. The contents of each program will be customized to suit issues faced by local communities, enabling students to develop personal connection

and apply critical thinking to create innovative solutions that can make a difference in their daily lives.

In November of 2019, SABIC signed a contract to begin construction of the SABIC Specialist Hospital for Mental Health and Addiction Treatment, continuing our efforts to provide care and rehabilitation for those struggling with mental illness and drug addiction. The 62,500-meter, 150-bed facility will promote mental-health education and research with the goal of developing successful models for personalized patient care and health services. It will also include an outpatient clinic.

SABIC also partnered with Zahra Breast Cancer Association to launch additional five breast-cancer clinics in Saudi Arabia, following the first mobile clinic launched in Al-Ahsa, Saudi Arabia in 2017. Zahra focuses on raising awareness on breast cancer screening and early detection, and provides support for breast cancer patients and survivors across the nation. The clinics, including both stationary and mobile facilities, will be completed in 2021 and managed by the Ministry of Health.

### SUPPLY CHAIN

We continue to strive toward the goal of leading the chemical industry in sustainable supply chains. To this end, we work closely with our suppliers on initiatives and opportunities that will reduce the carbon footprint along every stage of our supply chain and theirs.

We are deepening our involvement in Operation Clean Sweep (OCS) by including the OCS Pledge as a new requirement in our SQAS assessment and providing training programs that help suppliers curb plastic pellet, flake, and powder loss. We are also committed to improving supplier response to the Carbon Disclosure Project in 2020, and we will be evaluating all SABIC suppliers through our Supplier Lifecycle Management program to ensure these partners are operating with quality and integrity.



# ADDENDUM

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## ABOUT THIS REPORT

SABIC is a publicly traded, global leader in diversified chemicals with a Global Headquarters in Riyadh, Saudi Arabia. We manufacture on a global scale and have five key geographies with innovation hubs in the United States, Europe, the Middle East, Southeast Asia, and Northeast Asia. Ranked among the world's largest petrochemicals manufacturers, 70 percent of the company's shares are owned by the Saudi government, with the remaining 30 percent traded on the Saudi stock exchange. Since SABIC began in 1976, we have grown rapidly and globally, with operations today in more than 50 countries and a global workforce of more than 33,000+ talented individuals. Our materials help our customers to build a better future in key end markets – construction, medical devices, packaging, agri-nutrients, electrical and electronics, transportation, and clean energy. Our materials provide the building blocks for building a better future through 'Chemistry that Matters™'.

### ABOUT THIS REPORT

#### REPORTING PERIOD, SCOPE AND BOUNDARIES

SABIC publishes three main annual reports: the Board of Directors Report and the Annual Report, which target the financial and investor audience, and this Sustainability Report, which targets a wide internal and external audience. Published in April 21, 2020, this report covers SABIC's sustainability performance from January 1 to December 31, 2019. It includes all SABIC businesses and operations that are financially consolidated in our 2019 Annual Report, available at: [www.sabic.com/corporate/en/investorrelations](http://www.sabic.com/corporate/en/investorrelations). Additional sustainability content, technical details and definitions are available in the Report Supplement document on our corporate

sustainability web page: [www.sabic.com/sustainability](http://www.sabic.com/sustainability). We believe external assessments improve our sustainability reporting, and for the last seven years we have used KPMG to increase our confidence in certain reported data. The limited assurance engagement includes absolute and intensity operational metrics: energy consumption, greenhouse-gas emissions, freshwater usage, material loss, flaring reduction and CO<sub>2</sub> utilization, as well as selected corporate environment, health, safety, and security metrics, and compliance, as noted in the KPMG assurance report and marked by "\*" throughout the report. For compliance data, we have applied a more limited scope. Compliance data are reported for the 23,500 employees of SABIC and its wholly owned affiliates, but not for employees of SABIC's non-wholly owned manufacturing joint ventures (or affiliates) in Saudi Arabia.

### REPORTING FRAMEWORKS

#### REPORTING CRITERIA

The SABIC 2019 Sustainability Report was prepared in accordance with our internally developed reporting criteria.

#### OTHER REPORTING FRAMEWORKS

To guide the selection of report content and improve report quality, we align our internal reporting criteria with the "Core" option of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. A complete GRI Content Index can be found on the SABIC sustainability website.

We also continue to be inspired by the International Integrated Reporting <IR> Framework to capture SABIC's journey toward creating economic, natural, human, and social value in both the long and short term.

This report serves as our official UN Global Compact (UNGC) Communication on Progress. An overview of how we are meeting our UNGC commitments and actions is available on the SABIC sustainability website.

<https://www.sabic.com/en/sustainability>

## ASSURANCE REPORT OF THE INDEPENDENT AUDITOR



To: the Board of Directors of Saudi Basic Industries Corporation

### OUR CONCLUSION

We have reviewed the data and the accompanying disclosures for the following indicators (hereafter 'the sustainability indicators') in the Sustainability Report 2019 of Saudi Basic Industries Corporation (hereafter 'SABIC') based in Riyadh, Saudi Arabia.

#### The total absolute values and the intensity values (per metric ton of product sales) at corporate level of the Environmental Footprint indicators:

- Greenhouse gas emissions (p. 21, 39)
- Energy consumption (p. 21, 40)
- Water usage (p. 21, 41)
- Material loss (p. 21, 42)

#### The total percentages at corporate level of the Environmental Footprint indicators:

- Flaring reduction compared to 2010 (p. 21, 38)
- CO<sub>2</sub> utilization (p. 21, 38)

#### The corporate values of the Ethics and Integrity indicators:

- Compliance concerns raised (p. 19, 21)
- Incidents closed (p. 19, 21)
- Violations found and addressed (p. 19, 21)
- Code of Ethics training completion (p. 19, 21)

#### The corporate values of the Environmental, Health, Safety and Security indicators:

- EHSS rate (p. 21, 47, 49)
- Total Recordable Incident Rate (p. 21, 48)
- Occupational Illness Rate (p. 21, 48)
- Fatalities (p. 21)
- Process safety Total Incident Rate (p. 21, 48)
- Hazardous substances released (p. 21, 51)

The data for the indicators included in the scope of our engagement are marked in the Sustainability Report 2019 with an asterisk (\*).

A review is aimed at obtaining a limited level of assurance.

Based on the procedures performed nothing has come to our attention that causes us to believe that the sustainability indicators are not, in all material respects, prepared in accordance with the reporting criteria as included in the section 'Reporting Frameworks' on page 82 of the Sustainability Report 2019.

### BASIS FOR OUR CONCLUSION

We have performed our review in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)' (assurance engagements other than audits or reviews of historical financial information (attestation engagements)). Our responsibilities in this regard are further described in the 'Auditor's responsibilities' section of our report.

We are independent of SABIC in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence). Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### REPORTING CRITERIA

The sustainability indicators need to be read and understood together with the reporting criteria.

SABIC is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability indicators are the applied internally developed reporting criteria as disclosed in the section 'Reporting Frameworks' on page 82 of the Sustainability Report 2019.

### SCOPE OF THE GROUP REVIEW

SABIC is the parent company of a group of entities. The sustainability indicators incorporate the consolidated indicators of this group of entities to the extent as specified in the section 'Reporting period, scope, and boundaries' on page 82 in the Sustainability Report 2019.

Our group review procedures consisted of both review procedures at corporate (consolidated) level and at site level. Our selection of sites in scope of our review procedures is primarily based on the site's individual contribution to the consolidated indicators. Furthermore, our selection of sites considered relevant reporting risks and geographical spread.

By performing our review procedures at site level, together with additional review procedures at corporate level, we have been able to obtain sufficient and appropriate assurance evidence about the group's sustainability indicators to provide a conclusion about the sustainability indicators.



# ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

## CONTINUED

### LIMITATIONS TO THE SCOPE

The sustainability indicators include prospective information such as ambitions, strategy, plans, expectations and risk assessments. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the sustainability indicators.

The references to external sources or websites related to the sustainability indicators are not part of the sustainability indicators as reviewed by us. We therefore do not provide assurance on this information.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE

The Board of Directors of SABIC is responsible for the preparation of the sustainability indicators in accordance with the internally developed reporting criteria as included in the section 'Reporting Frameworks' on page 82, including the identification of stakeholders and the definition of material matters.

Furthermore, the Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of the sustainability indicators is free from material misstatement, whether due to fraud or error.

Those charged with Governance are responsible for overseeing the reporting process of SABIC.

### AUDITOR'S RESPONSIBILITIES

Our responsibility is to plan and perform our review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We apply the 'Nadere Voorschriften Kwaliteitssystemen' (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our review included among others:

- Considering the internal control relevant to the review in order to select assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the company's internal control;
- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of SABIC;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability indicators. This includes the evaluation of the results of stakeholder dialogue and the reasonableness of estimates made by the Board of Directors;
- Obtaining an understanding of the reporting processes for the sustainability indicators, including obtaining a general understanding of internal control relevant to our review;
- Identifying areas of the sustainability indicators where a material misstatement, whether due to fraud or error, are most likely to occur, designing and performing assurance procedures responsive to these areas, and obtaining assurance information that is sufficient and appropriate to provide a basis for our conclusion. These procedures included, among others:
  - Interviewing management and relevant staff at corporate level responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability indicators;
  - Determining the nature and extent of the review procedures for the group components and locations. For this, the nature, extent and/or risk profile of these components are decisive. Based thereon we selected the components and locations to visit. The visits to 6 production sites in the Kingdom of Saudi Arabia, Europe, United States of America and India are aimed at, on a local level, validating source data and evaluating the design and implementation of internal controls and validation procedures;

- Obtaining assurance information that the sustainability indicators reconcile with underlying records of SABIC;
- Reviewing, on a limited test basis, relevant internal and external documentation;
- Performing an analytical review of data and trends;
- Evaluating the consistency of the sustainability indicators with the information in the Sustainability Report 2019 which is not included in the scope of our review;
- Evaluating the presentation, structure and content of the sustainability indicators;
- Considering whether the sustainability indicators as a whole, including the disclosures, reflect the purpose of the reporting criteria used.

We have communicated to the Board of Directors of SABIC regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Amstelveen, The Netherlands, March 31, 2020

KPMG Sustainability  
Part of KPMG Advisory N.V.

D. A.C.A.J. Landesz Campen RA

AT SABIC, WE ARE TRANSFORMING  
EVERYTHING WE DO, THE WAY  
WE DO IT, AND OUR RELATIONSHIPS  
WITH ALL OUR STAKEHOLDERS, TO  
DO AN EVER BETTER JOB OF HELPING  
MAKE TOMORROW'S WORLD BETTER  
THAN TODAY'S. IT IS WHAT WE CALL  
'CHEMISTRY THAT MATTERS™'.

**COVER:** SABIC is helping build highly efficient solar fields, on lakes, that are cooled by water. The panels float on barrels made from SABIC materials, enabling them to stay cool to generate energy more efficiently without overheating or using valuable land. Our support for renewable energy, part of our wider efforts to help the world move toward a circular future, was a key theme in our first global brand campaign. The campaign promotes the spirit of collaboration, innovation, and SABIC's commitment to create 'Chemistry that Matters™'.

For more collaboration stories, please visit our campaign webpage, [www.sabic.com/collaboration](http://www.sabic.com/collaboration).



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