



# SABIC SUSTAINABILITY REPORT: TECHNICAL SUPPLEMENT 2019

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## About This Supplement

The 2019 Technical Supplement contains additional information, facts, and explanations relevant to the material topics in our 2019 Sustainability Report. Our approach to reporting focuses on providing concise, readable, annual sustainability reports that summarize our program, material topics, and accomplishments for our stakeholders. We acknowledge, however, that experienced readers, sustainability professionals, and other stakeholders may wish to have access to additional information regarding specific topics found in the report. The technical supplement provides a starting point for exploring our sustainability program in greater detail, and includes links to additional information on our external website. This approach results in greater transparency and less environmental impact by reducing the number and length of printed hard copies of the report.

The supplement contains information from previous reports in addition to new content for readers interested in our sustainability history or details of programs. Annual and sustainability reports are available electronically at [www.sabic.com](http://www.sabic.com), with previous sustainability reports found at <https://www.sabic.com/corporate/en/sustainability/report-archive>.

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## About SABIC

### Materiality

SABIC's sustainability is guided by a materiality analysis to ensure that resources target the most important issues for our stakeholders and business success. In order to focus our resources on the elements of our business that are most important to sustainability and our stakeholders, we conducted a risk and opportunity analysis in 2011, refreshed it in 2013, and completed a full refresh in 2019. The description of the materiality process and outcome are in the report.

On the basis of this analysis, we selected the materiality issues that were most important for the success of SABIC and for our stakeholders. Accordingly, we focus our resources and reporting on these issues. Our approach and results for each material issue have, in previous reports, been placed according to the capital management (financial, natural, social, and human) section most affected by that issue, while recognizing that most materiality issues impact all aspects of value creation.

In 2019 we refreshed our materiality process, the increasing pressure and opportunities related to climate change and the circular economy was reflected into our materiality result, this report as well as key performance indicators were developed around these six materiality topics:

SABIC's six most material sustainability issues for 2019 are

- 1) Innovation and sustainability solutions;
- 2) Circular economy;
- 3) Climate Change;
- 4) Resource and energy efficiency;
- 5) EHSS (environment, health, safety, and security) and product safety; and
- 6) Governance and integrity.

In addition to these six issues, our report includes a section on Engagement and Collaboration, covering our progress on human capital development, social impact and community relationships, and sustainable supply chain. We realize the importance of our actions in these areas to many key stakeholders. This section illustrates the value that SABIC adds through engagement with our employees, communities and business partners whom we rely on to build a sustainable future.

Because we are dedicated to continuous improvement in all aspects of our business, we will continue to refine our priorities and validate our conclusions through additional analysis, socialization of the conclusions across the business, and direct stakeholder input.

We also recognize that material issues change over time, and we continue to monitor their relative importance to our business and to our stakeholders using stakeholder

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engagement mechanisms. Any changes in our prioritization will be disclosed in future sustainability reports.

We will continue to strengthen our business governance of these material issues by

- Refining our strategic objectives for each material issue
- Developing new initiatives and robust management processes with clear metrics
- Ensuring implementation through goals, milestones, and communication

The performance table in the front section of the report contains results we were tracking before the materiality analysis process was finalized. Many of these indicators relate directly to central issues from our materiality assessment.

As we complete the steps described above, we will be updating our key performance indicators. We will keep seeking third-party expert feedback through our engagements with, for example, Business for Social Responsibility, the World Business Council for Sustainable Development, and KPMG. We invite readers of our Sustainability Report to provide feedback on our impacts through our sustainability site:

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

## Sustainable Development Goals

In 2015, the United Nations adopted the Sustainable Development Goals (SDGs), that is, 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. While there are, in total, 17 SDGs, SABIC has selected 10 that are most closely aligned to its activities and where it feels it can make the greatest contribution. The SDGs to which we are integrating our business strategies cover a broad range of challenges from dwindling natural resources, biodiversity degradation and economic inclusion to food security, increasing urbanization and associated quality of life and the multifaceted impacts of climate change. The SDGs that SABIC has selected are linked to both SABIC's strategic priorities for sustainability and materiality. They span our entire value chain – from making our production operations and product portfolio more sustainable to developing sustainable solutions for products that have reached their end-of-life.

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## SABIC Structure

In 2019, SABIC was 70 percent owned by the Public Investment Fund of Saudi Arabia; 30 percent publicly traded on the Saudi stock exchange, Tadawul, to local and global institutional investors. The company did not receive direct financial assistance from the government in 2019.

## Report Boundaries

Unless noted otherwise, the Sustainability Report includes company performance information for all SABIC units and operations that are financially consolidated in our 2019 Financial Statements and Board of Directors Report, which are available at:

[https://www.sabic.com/assets/en/Images/SABIC-Annual-Report-2019-English\\_tcm1010-22074.pdf](https://www.sabic.com/assets/en/Images/SABIC-Annual-Report-2019-English_tcm1010-22074.pdf)

For ethics and integrity compliance data, we have applied a more limited scope. Compliance data are reported for the employees of SABIC 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.

Supply chain includes interactions outside of SABIC. The reporting boundary for supply chain upstream of SABIC includes the supply chain for purchased feedstock and materials or services that are procured for the financially consolidated sites.

Downstream product impacts (transport, product stewardship) are reported for all products sold by SABIC (including from joint venture partners if SABIC is responsible for selling).

## Stakeholder Analysis and Engagement

As one of the largest chemical companies in the world, with operations in 50 countries, SABIC has many stakeholders to consider with respect to the impact our business has on them and the impact their expectations have on our strategy. Our objective in stakeholder engagement is to understand

- Our primary stakeholders and to whom we are accountable
- Our effect on stakeholders and their priorities
- How we can collaborate and create value
- The primary mechanisms at our disposal for stakeholder engagement

The SABIC leadership team, guided by the functional and business expertise across our company, is responsible for our overall stakeholder engagement. A summary of our stakeholder assessment is shown in the table below. It was developed through the

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combined input of the Corporate Sustainability department (CSD), the Corporate Social Responsibility (CSR) department, the Sustainability Report Committee and the insights of SABIC employees directly responsible for engaging specific stakeholder groups.

In 2019, we continued to take steps to improve the visibility of our Sustainability Report.

Globally SABIC maintains membership in a number of industry and trade associations, including the Gulf Petrochemicals and Chemicals Association (GPCA), the International Council of Chemical Associations (ICCA), the American Chemistry Council (ACC), Plastics Europe, the European Chemical Industry Council (CEFIC) and World Plastics Council. For sustainability engagement, we participated in multiple working groups within the World Business Council for Sustainable Development (WBCSD) and we are signatories to the UN Global Compact. Finally, we participate in sustainability performance platforms such as EcoVadis, and the CDP Supply Chain Program.

We continue to evolve our stakeholder engagement strategy, we will continue to solicit input from a cross-section of stakeholders with respect to our effectiveness at communicating our sustainability performance and impacts.

STAKEHOLDER CATEGORY	KEY CONCERNS AND PRIORITIES	PRINCIPAL MECHANISMS TO ENGAGE STAKEHOLDERS
Saudi Arabia and other governments	EHSS, financial, and ethical performance	Leadership communications
Private shareholders and joint venture partners	Robust and ethical business processes, EHSS, governance, and brand reputation	Annual General Meeting, Boards of Director meetings
Employees and their families	Safety, security, job satisfaction, and career development	Surveys, performance reviews, concern reporting process
Customers	Security of product supply and product safety	Conferences, forums, industry trade shows, compliance reporting, commercial contacts
Communities where we operate	Fair and ethical business practices, environmental impacts	Employee/leadership engagement with the community
Suppliers	Collaborations	Scheduled meetings, compliance reporting
Consumers	Transparency	Information posted to internet sites
Global society at large	Sustainable solutions to mega-trends	Financial and non-financial reports



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## Ethics and Compliance

We are confident that our compliance program is a model for companies based in the Gulf region and meets the rigor and thoroughness of compliance programs at peer companies around the world. Program development and operation is the responsibility of the chief compliance counsel who reports to the vice president, general counsel.

**Code of Ethics.** The SABIC Code of Ethics holds our employees to the highest standards of ethical conduct every day, in every transaction, and everywhere we do business. Its policies reflect our commitment to integrity and corporate citizenship and provide the foundation for our business culture, including our commitments under Responsible Care®, the United Nations Global Compact, and the World Business Council for Sustainable Development (WBCSD). SABIC's Code of Ethics may be found here:

<https://www.sabic.com/en/about/our-compliance-culture/sabic-codeof-ethics>

Our compliance review processes and reporting procedures are designed to ensure that all employees follow the Code of Ethics and that employees may report compliance concerns without fear of retaliation. Information on our compliance culture, including training, is available on SABIC's website here: [www.sabic.com/en/about/Our-Compliance-Culture](http://www.sabic.com/en/about/Our-Compliance-Culture).

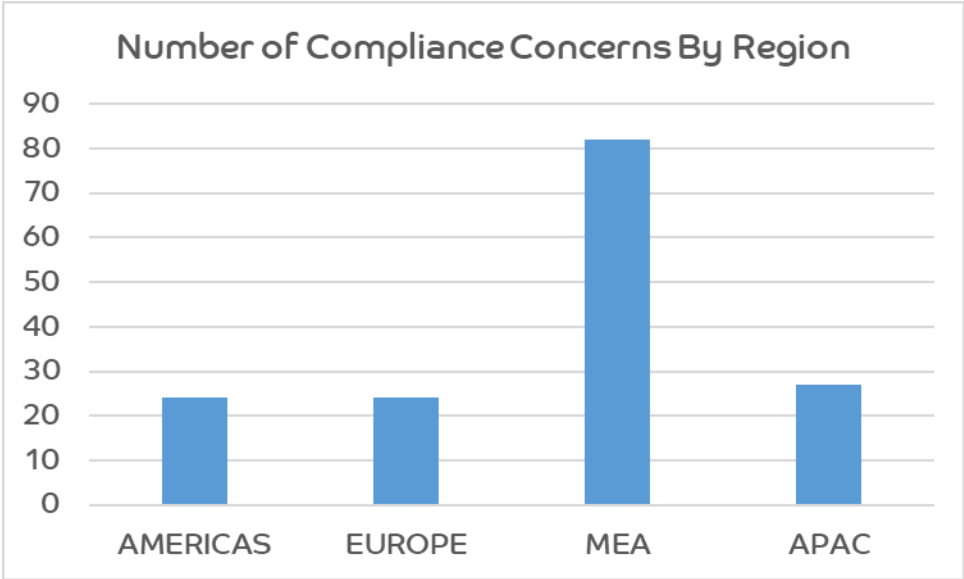
In addition to the above practices, we have a comprehensive supplier due diligence program to ensure that our suppliers adhere to ethical standards and comply with the principles of the SABIC Supplier Code of Conduct. These include fair employment practices, no underage or forced labor, reasonable hours of work and wages, no discrimination, freedom of association, anti-bribery procedures, and EHSS procedures such as providing a safe work environment, pollution prevention, and safe and secure transportation of materials. We perform due diligence on all global suppliers at varied levels dependent on each supplier's risk profile. For more information on our Supplier Due Diligence Program and Supplier Code of Conduct see: <https://supplier.sabic.com>.

**Compliance Helpline.** Should any of our stakeholders have questions, comments, or concerns, they may use any of our available reporting channels, including our regional Compliance Helplines. Concerns may be reported anonymously and all reports will be treated confidentially.

- Saudi Arabia and the Middle East: +966 (0) 13 345 2886 and +800 30 22220
- Americas: +1 800 643 1614
- Europe: +31 164 29 2256
- Asia: +81 285 80 2535

To supplement the description in the report, the following chart provides a regional breakdown of where the compliance concerns originated. These numbers are externally assured, as noted in the Sustainability Report:

## Number of Compliance Concerns by Region



Error correction: In SR2018 Performance Summary (pg. 23), under ETHICS+INTREGITY we had reported ‘Incidents Closed’ and ‘Violations’ found as 147 and 55. These numbers have been corrected and updated in SR2019 to 119 and 42 respectively. The reason for this change is that the reporting rules limit the reported values to cases only opened in a given reporting year. The original 2018 data set included cases that were not opened in 2018 and has been corrected in 2019.

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## Sustainability Governance

### Report Governance

The SABIC Sustainability Report is governed by the Executive Committee, led by our CEO and Vice-Chairman. The committee is made up of the CEO, and several Strategic Business Unit (SBU) and corporate function executives.

### Sustainability Governance

We understand the importance of effective corporate governance and treat the governance of our sustainability processes in the same way as all other critical aspects of our business operations.

In 2019, sustainability was added to the scope of the Board of Directors Risk Committee, emphasizing its importance to our business. Sustainability routinely reports on sustainability progress to the newly named Risk and Sustainability Committee.

The Vice-Chairman and CEO of SABIC has direct oversight of all aspects of the business. He is supported by an Executive Committee, which meets monthly to cover standard governance aspects of the business and on a defined schedule for specific themes or sub-committee topics. The SABIC Sustainability Council is one of the Executive Committee sub-committees and will be discussed further below.

SABIC's impact on the economic, environmental, and social dimensions of sustainability is also influenced and supported by the actions of all the other subcommittees. These include Environment, Health, Safety, and Security (EHSS), Talent Development, Strategic Planning, Human Resources, Risk Management, Investment and Innovation. Executive Committees are accountable for achieving robust business processes and performance against goals. A percentage of executive compensation for some executives is allocated according to performance against sustainability goals set by the Council.

### Sustainability Council

Our Sustainability Council is chaired by the Vice-Chairman and CEO, and includes executives from our SBUs and several corporate functions. Together they ensure that sustainability is integrated throughout our business, and that we take a consistent approach to sustainability in the regions, businesses, and functions.

The council is responsible for setting our sustainability vision, priorities, and goals, as well as being accountable for performance against sustainability goals, and for approval of Corporate Sustainability Department (CSD) and Steering Committee recommendations.

The Sustainability Council meets twice a year to review SABIC's sustainability strategy and to discuss progress against key performance indicators (KPIs) and project milestones. The Vice-Chairman and CEO schedules reports on various aspects of

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sustainability to the SABIC Board of Directors, at his discretion, in addition to communication through the Sustainability and Risk Committee.

### **Steering Committee**

The Steering Committee is led by the CSD general manager, and includes high-level SBU and corporate function representatives. It meets periodically to develop strategic recommendations for the council, and to translate the council's decisions into action within the SBUs or functions.

### **Corporate Sustainability Department (CSD)**

The CSD includes employees who are dedicated full time to sustainability. As experienced leaders, they are responsible for designing and ensuring consistent processes and tools across all of SABIC. They also provide expertise in sustainability standards and trends, and lead opportunity and risk analysis across the value chain by internalizing strategic sustainability externalities. In addition, they represent SABIC in a variety of business organizations focusing on sustainability issues, including the World Business Council for Sustainable Development (WBCSD), European Chemical Industry Council (CEFIC), Plastics Europe, Business for Social Responsibility (BSR), and United Nations Global Compact (UNGC). Some CSD personnel also act as our regional leaders, discovering and serving the different needs of stakeholders in the Middle East and North Africa (MENA), the Americas, Europe, and Asia.

This year, we moved our Sustainability department to the Technology and Innovation function, helping to further accelerate our adoption and development of new sustainable solutions. SABIC announced the appointment of Dr. Bob Maughon as the new executive Vice President for Sustainability, Technology and Innovation, effective April 23, 2019. A general manager, who report to Dr. Bob Maughon, leads the CSD. Other CSD leaders are responsible for specific focus areas, such as Life Cycle Assessments (LCAs), regional advocacy, circular economy, etc.

### **Topic Sub-Teams**

Topic sub-teams are formed by the Sustainability Council or by individual council members. Their task is to provide critical content for SABIC's sustainability process and strategy. Sub-teams include the Sustainability Report team, the Footprint team, and the Sustainability Product Qualification team. Additional sub-teams are formed as needed for executing the sustainability strategy.

### **Functional Accountability**

Our sustainability process is supported by many teams that are accountable for critical business processes, and also for particular aspects of this report. The players include Environment, Health, Safety and Security (EHSS), Corporate Communications, Corporate Social Responsibility, Product Stewardship, Finance, Enterprise Risk

Management, Legal, Procurement, Supply Chain, Human Resources, Manufacturing, Innovation and Business Development. The structure for governance of sustainability is reviewed periodically, and is continually evolving to meet stakeholder needs and priorities. Any changes are proposed to the Sustainability Council and decided by its members. As we continue to analyze our priorities and develop new ones from our materiality assessment, we will implement structure and accountability changes to match them.

**Strategic Business Unit Accountability**

The individual SBUs are represented on the Sustainability Council and Steering Committee. Each one has a team responsible for its performance against the specific sustainability goals of operational footprint, sustainability product solutions, and project milestones. Steps are taken to measure SBU performance, based on their overall management of a portfolio of programs that influence the sustainability expectations of stakeholders.

**Our Values**

**INSPIRE**

**GENERATING  
EXCITEMENT AND  
COMMITMENT**

Display a clear and shared vision that inspires colleagues to contribute to solutions to major needs

Be energetic and passionate toward common goals and motivate others to contribute

Continuously develop personal knowledge, skills and expertise about global issues and inform others

**ENGAGE**

**CONNECTING  
WITH OTHERS TO  
ACHIEVE MORE**

Use internal and external networks to establish collaborations and leverage resources

Foster an environment where ideas are expressed, and supported; and silos are taken down

Invite colleagues to support volunteer efforts in our communities

**CREATE**

**SEEKING  
NEW WAYS OF  
DOING THINGS**

Champion changes that address risks and opportunities across a changing landscape

Constantly challenge the status quo and existing comfort zones to generate innovative solutions

Accept, adapt and translate ideas from anywhere to solve problems

**DELIVER**

**TAKING  
RESPONSIBILITY  
TO MAKE  
THINGS HAPPEN**

Focus on the sustainability priorities and the business processes in your area of impact

Take action to meet your commitments and support others to meet theirs

Apply ingenuity and persistence to overcome barriers to solutions

**Sustainability Performance Summary Reporting Year (RY) 2019**

The summary table on page 21 in this year’s Sustainability report is organized according to materiality topic and in line with the report structure. We have added new metric on renewable energy to reflect our new long-term commitment on switching to clean energy and eliminated several supply chain metrics.

## Accountability for Goals RY2019

In past reports, SABIC has included an “accountability for goals” section. We have removed the section from this year’s report as our goals will be changed following the materiality refresh. We will consider re-introducing this information in a future report linked to our new materiality and associated step-change goals.

## Innovation and Sustainability Solutions

### SABIC Sustainability Product Definition

1. A SABIC Sustainability Product provides beneficial sustainability features in the value chain that must (a) be measurably better than incumbent market features or (b) be equal to or exceed recognized external thresholds.
2. Positive features should clearly exceed any negative features in the eyes of the market.

Evaluating candidate products against this definition is the purpose of the Sustainability Product qualification process.

### Sustainability Product Qualification Process

Our qualification process has four phases:

**Phase 1: Nomination.** During this phase, any SBU can nominate a product that appears to have positive environmental attributes compared to products currently on the market.

**Phase 2: Quantifying Benefits.** For every product, an expert team – including technical, functional, lifecycle, and stewardship experts, and specialists with knowledge of our customers’ application and manufacturing requirements – develops a competitive baseline, identifies the product’s sustainability features, quantifies the product’s benefits, and describes any real or perceived trade-offs. The team also develops a preliminary recommendation on further steps.

**Phase 3: Approval.** During the final stage, an advisory panel comprising of SABIC leaders from diverse functions reviews the results of the qualification process and makes a final recommendation on whether or not a product meets the criteria for inclusion in the SABIC sustainability product portfolio.

**Phase 4: Revisit.** Periodic reviews through re-qualification.

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This process uses two core tools to evaluate products compared to incumbent solutions:

- a. Lifecycle assessment (LCA): LCA and lifecycle inventory (LCI) methodologies, based on the ISO 14040 and ISO 14044 standards, are used to estimate the carbon, energy, and other impacts of the products or applications across the lifecycle. All lifecycle impact categories are assessed and considered in the qualification process.
- b. Product Stewardship Scorecard (Green Chemistry Screen): This score-card guides the assessment of the chemical composition of the product, including impurities, byproducts, and catalysts against well-established toxicological, regulatory, and industry-standard criteria.

For a significant number of products in our sustainability solutions portfolio, we use recognized external thresholds or third-party standards to define our sustainability features, such as halogen-free flame retardants or post-consumer recycled content.

## Framework for Portfolio Sustainability Assessments (PSA)

Recent global initiatives such as the Paris Climate Agreement and the United Nations Sustainable Development Goals underpin the importance of sustainability products and solutions. In support of these and other global ambitions, companies increasingly use portfolio sustainability assessments (PSA) to understand and proactively steer their overall product portfolios towards improved sustainability performance. SABIC contributed to development of a common PSA framework as a member of the World Business Council for Sustainable Development's chemical sector working group, published this year. The ambition of the framework is to create more sustainable product portfolios. Currently, two pilots are underway to validate PSA within our business.

## Innovation Portfolio and Sustainability Impact

During 2019, we continued the use of our second-generation sustainability assessment methodology (launched in 2014) in our innovation pipeline project portfolio management process. We monitor our progress through the Innovation Project Sustainability Assessments metric, which measures the number of innovation projects assessed for sustainability risks and opportunities using the second-generation sustainability assessment methodology. However, we have discontinued this metric since 2018.

This metric, started in 2013, was intended to drive the adoption of sustainability principles and thinking in SABIC's innovation process. However, sustainability

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assessment is now fully embedded and embraced by SABIC's business units. We are now focusing on accelerating the integration of sustainability into our technology strategy and ideation process, starting with the initial stages of product development. We will revisit the tool and process to improve further its quality of assessment and ease of use.

## Total Patent Portfolio Filings

Our total patent portfolio filings is defined as the total number of active cases in all countries and includes issued patents and pending patent applications. 2019 patent portfolio number (12540) is similar to last year. This number fluctuates because some patents no longer add strategic value, while other new filings are added that are critically important to the business.

## Embedding Life Cycle Concepts

A successful sustainability strategy requires a focus on all points in the lifecycle, including basic raw materials, manufacturing processes, distribution, customer conversion processes, consumer use, and end-of-life.

SABIC's sustainability program is founded on lifecycle thinking – a concept that enables us to consider impacts to natural capital across multiple types of environmental impacts (global warming potential and cumulative energy demand, for example) as well as across the full product value chain. Using a Life Cycle Assessment (LCA) approach, we can identify which steps in a product lifecycle offer the best opportunity for improvement. Environmental impact changes are often outside SABIC process operations, such as in the use phase for lighter automotive materials or for building materials with better insulating properties. LCA is used to determine product stages at which environmental benefits or burdens occur and whether a change might cause burdens to shift between stages or between environmental impact categories. Understanding the potential impacts early in the development process allows for improved decision making, which helps SABIC to develop a more sustainable product portfolio.



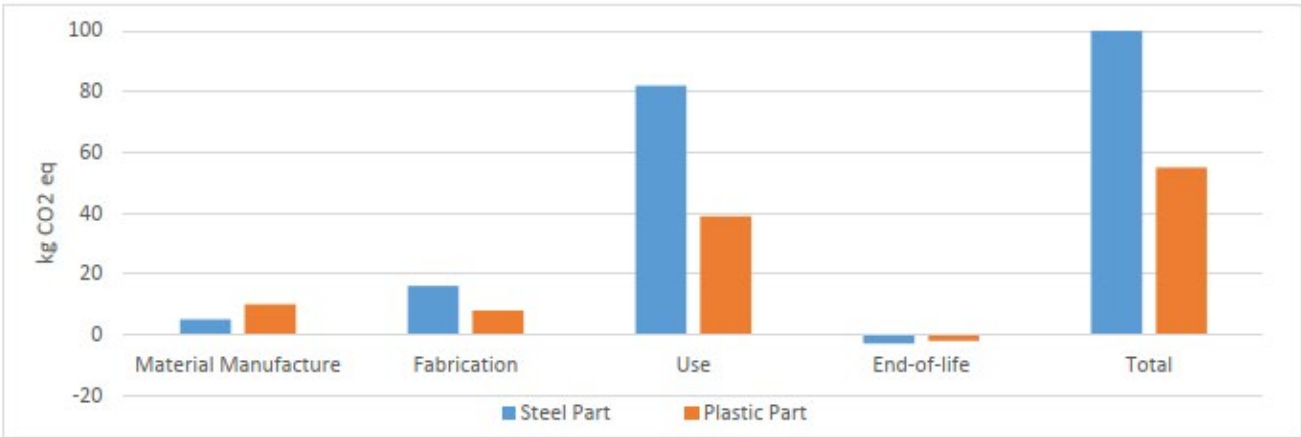
## Resource and Energy Efficiency

### Avoided Emissions

Avoided emissions are the calculated difference of total lifecycle greenhouse-gas (GHG) emissions of two different product alternatives for achieving the same user benefit.

#### Example

The use of a lightweight plastic composite in an auto part instead of a conventional steel part contributes to avoidance of 50 kg of GHG emissions over the full lifecycle of the vehicle.



For an individual part (functional unit in the LCA), the avoided emissions are calculated as follows:

#### Quantitative Calculation

$$\text{Avoided Emissions (tons of CO}_2\text{eq)} = \text{Lifecycle GHG emissions of reference product in tons of CO}_2\text{ equivalents} \text{ minus Lifecycle GHG emissions of SABIC product in tons of CO}_2\text{ equivalents}$$

When scaled up to product level, the avoided emissions per functional unit will be multiplied by the volume of SABIC product sold into the specified application in the LCA.

### GHG Emissions and Other Operational Footprint Details

We track direct and indirect GHG emissions for all of our global manufacturing facilities within our financial consolidation boundary. Our reporting is based on

- World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) GHG Protocol

- WBCSD Chemical Sector Value Chain GHG Reporting and Accounting Guidance
- American Petroleum Industry Guidelines for Reporting GHG Emissions

Internal corporate and manufacturing reporting protocols define how we implement these measurement and reporting guidelines. As described in the “About this Report” section, our reporting boundary matches financial consolidation as documented in our Annual Report.

The 2019 report did not include re-statement for GHG reporting for any previous years. Beginning in 2013, the Sinopec SABIC Tianjin Petrochemical Company (SSTPC) joint venture was removed as a partially consolidated entity in SABIC’s financial report in order to align with international accounting rules for joint investment. Therefore, the SSTPC site data were not included in the SABIC operational footprint and intensity calculations. In the 2013 report, historical footprint data back to the 2010 base year were adjusted to correct for this structural change as well as to correct any other accounting errors. These adjustments altered reported footprint performance results from 2010-2012. Since our reporting base year (2010), SABIC has implemented systems to ensure the accuracy of our operational footprint data, the results of which have been verified and assured by a third party.

#### GHG Emission Details (WBCSD Chemical Sector GHG Reporting Guidance Format)

Scope 1	GHG emissions (tCO <sub>2</sub> e)	Offsets	Total including offsets	Biogenic Emissions
Saudi Arabia	35,000,000	0	35,000,000	0
Europe	3,190,000	0	3,190,000	0
Americas	860,000	0	860,000	0
Asia Pacific	720	0	720	0
Scope 1 Total	39,000,000	0	39,000,000	0
Scope 2	GHG emissions (tCO <sub>2</sub> e)	Offsets	Total including offsets	Biogenic Emissions
Saudi Arabia	15,000,000	0	15,000,000	0
Europe	1,840,000	0	1,840,000	0
Americas	761,000	0	761,000	0
Asia Pacific	1,230,000	0	1,230,000	0
Scope 2 Total	1,770,000	0	1,770,000	0

#### Energy Intensity and Energy Sold

Following the WBCSD chemical sector guidelines, energy sold from sites that sell energy, such as our Bergen op Zoom site, is subtracted from the total prior to calculating energy

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intensity. This is because intensity is based on product sales and energy sold to customers outside of the site are not relevant to these sales.

### **Water management**

The compliance priority of our water-management strategy aims to ensure that wastewater discharge streams are treated to comply with discharge limitations. Our sustainability priority is to minimize freshwater usage, especially in water-stressed areas. Most of the water used in our manufacturing operations is recycled multiple times to minimize water usage and the effluent is treated prior to discharge to minimize the overall environmental impact. We track water usage at all of our operating sites and also monitor discharge parameters such as effluent temperature and organic concentrations to help reduce impacts of our water discharge.

Our ambition is to reduce our freshwater use intensity by 25 percent from to 2010 levels by 2025. SABIC will need to take operational steps to reduce freshwater consumption and deploy the latest technologies to recover and recycle freshwater streams. The intensity goal includes only freshwater to focus on water of importance to the local communities and to enhance water availability in the areas where we operate.

Almost half of our sites are in regions with extreme water scarcity and more than 30 percent are in regions with abundant water. We operate manufacturing facilities in water-stressed regions – with our largest operations in the Middle East – and are cognizant of the need to use freshwater judiciously.

Our Saudi Arabia-based sites were designed to operate in the water-scarce region. The largest volume of water used in chemical plants is for cooling. Our Saudi process operations use sea water for the large majority of process cooling. The sea-water cooling systems incorporate process design and metallurgy to handle the saline water. The cooling systems include design for recycling of this water to minimize volumes used, and instrumentation is installed to monitor the flow of sea water that returns to the original source.

The fresh (non-saline) water used for process and potable uses comes almost entirely from public utility desalination plants, minimizing any impact to the water table or availability of water in the community. The majority of community potable water used near our areas of operation also comes from the desalination plants.

## Material Efficiency and Waste Management

Hazardous and non-hazardous wastes together accounted for approximately 10.3 percent of the material losses reported in 2019.

2019	MT
Hazardous Waste	251,938
Non-Hazardous Waste	88,961
2019 Total Absolute Material Loss	3,298,804
Hazardous and Non-Hazardous waste %	10.3 %

The largest component of material loss is from flaring and venting. The material loss metric was designed to drive overall material efficiency, while allowing each facility to focus on their highest priority. SABIC set a material-loss reduction target of 50 percent by 2025 from the 2010 baseline, and has already achieved a reduction of more than 41 percent. In addition, we are introducing new sub-targets to reduce 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, by 2025.

The 2019 Sustainability Report highlighted an innovative methanol-recovery process at our Ar-Razi affiliate to fuel the facility's boilers for manufacturing, contributing to reduction in CO<sub>2</sub> emissions, energy saving as well as reduction in waste material. Substantial flaring reduction has been observed at our SAMAC and Ibn Zahr affiliates.

## Resource Efficiency Definitions

**CO<sub>2</sub> utilization:** The process of capturing and utilizing carbon dioxide (CO<sub>2</sub>) emitted from SABIC facilities as a feedstock for other process units or into product. This not only helps in producing additional total product quantities per unit of raw feedstock but it also contributes in reducing greenhouse gas (GHG) emissions.

**Material loss:** One measure of our operational resource efficiency is our material loss KPI, which is the sum of process material losses to flaring, process vents, fugitive losses, hazardous and non-hazardous wastes, and process material lost to wastewater treatment. SABIC takes this comprehensive measurement approach to allow our various sites to focus on the most important aspects of material loss for each process. We also use this concept to reinforce the importance of optimizing material usage in our production operations. Improvements in material loss typically result in additional material availability for production or reduction in waste disposal, so improvements directly impact economic performance.

Hazardous and non-hazardous wastes together accounted for approximately 13 percent of the material losses reported in 2017.

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Flaring and venting are our two areas of biggest opportunity; they are where we have made the most overall progress. Flared material volumes have been reduced by more than one-half since 2010, which has provided the most significant improvement in material loss. Flaring reduction was added as a KPI to the Sustainability Performance Summary table in 2014.

The CO<sub>2</sub> utilization projects described in the recent reports will very positively impact our material loss performance through reduction of process venting by diverting vented materials to be used as a feedstock for other processes. This is an excellent example of byproduct synergy – using relatively low-value byproducts from one process as a raw material for another. We continue to evaluate our byproducts and waste materials to identify potential cross-site synergies.

## Climate Change

As the most challenging issue faced by humanity, global warming has the potential to substantially change not only the environment, but also society and economy at the global level.

The risks are substantial. As a global business, we already feel impacts in various aspects of our business: our relationship with stakeholders such as governments, investors, employees, and customers, and in our functions, such as manufacturing, research and development, branding, and marketing.

We also recognize the profound opportunities brought by the global low carbon transition. A growing demand for low carbon solutions in transportation and construction, the hardware required for renewables, the use of CO<sub>2</sub> as a feedstock – all of these represent substantial business opportunities.

As a company rooted in sustainability, SABIC actively contributes to the global efforts in managing climate change. Our climate efforts are multidimensional:

- **Climate risk governance and management**

As a thought leader, SABIC has been applying enterprise risk management to climate risks since 2012 – well before it became a standard practice in corporations. In 2019, we pilot tested the Financial Stability Board's framework for financial risks associated with climate change known as TCFD. The framework, which is based on enterprise risk management, has helped us to identify risks as well as opportunities.

In 2019, our Board of Directors established a committee for sustainability risk management and thus ensuring the oversight of climate risks.

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- **GHG reduction**

We are working toward reaching our ambitious GHG reduction target based on intensity metric (tCO<sub>2</sub>e per t sales): a 25 percent reduction by 2025 from 2010.

This year, we also set a new target to install 4 gigawatts of renewable energy by 2025 and 12 gigawatts by 2030.

## Carbon market mechanisms

SABIC is the first company in Saudi Arabia to be awarded the UN issuance of carbon credits under the Clean Development Mechanism (CDM) scheme in 2017. We have two projects officially recognized by the UN as the first of their kind.

- **Carbon capture and utilization**

With 500,000 tCO<sub>2</sub>e of annual capacity, our carbon capture and utilization plant provides feedstock to three other processes to make valuable product.

- **Marginal abatement cost curve**

As a thought leader, for the first time in our region SABIC has developed a marginal abatement cost curve (MACC) tool to laser focus and maximize return of investment of our energy and carbon savings efforts. We use MACC to identify and prioritize cost efficient technological measures.

- **Carbon Disclosure Project**

Since 2014, SABIC has been participating in the CDP, the world's biggest rating platform, which annually assesses the climate change efforts of leading companies worldwide. 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.

- **Supply chain carbon footprint**

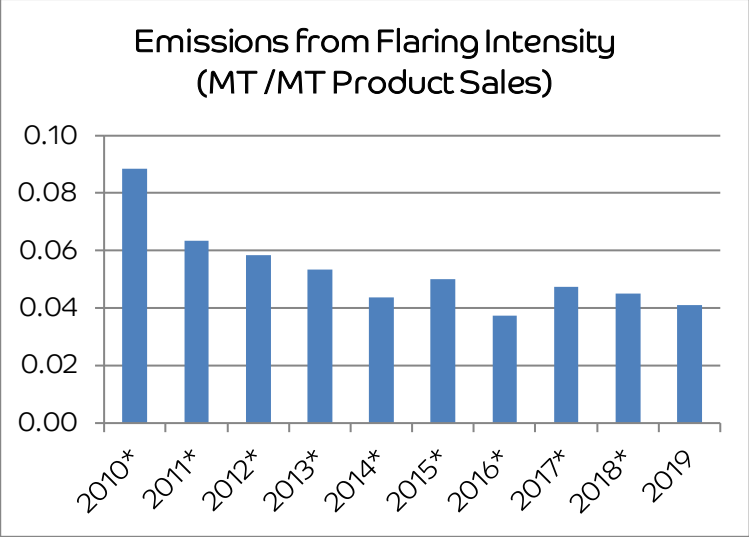
To understand the carbon emission profile of our entire supply chain, in 2019 we completed the measurement of our scope 3 emissions in accordance with GHG protocol. This will help us to better manage and, in time, reduce the carbon footprint of our suppliers and transportation.

- **Engagement & Collaboration**

We actively support the Paris Agreement, and, through the Saudi government, we have contributed to each Conference of Parties since 2012. As an active player in carbon utilization technology, SABIC supports the Carbon Sequestration Leadership Forum. We showcase our sustainability efforts in Abu Dhabi Sustainability Week.

Our low carbon solutions help our customers in transportation, construction, packaging and other industries to reduce carbon emissions during the use cycle.

Emissions from Flaring



2019	
KPI	Emissions From Flaring
Emissions from flaring intensity	0.04
% Reduction	53.54%
YOY % Improvement Sales	8.57%

We are committed to reducing our emissions from flaring by 65 percent compared to 2010 levels. 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 At our Ibn Zahr affiliate, an improvement in the Low Temperature Recovery Section (LTRS-2) facility resulted in a 53 percent reduction in our methyltert-butyl-ether (MTBE) flaring, which reduced the greenhouse-gas emissions of the site by 91,000 tons year-over-year.

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.

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## EHSS and Product Safety

### Responsible Care 14001

As a Responsible Care® company, SABIC is committed to the guiding principles of Responsible Care® for improving our EHSS performance, including communicating our performance to our customers and responding to your inquiries. We are Responsible Care® certified at 86 percent of our chemical operational facilities; 45 out of 53 sites.

### EHSS Performance and Metrics

SABIC is committed to maintaining the highest Environment, Health, Safety, and Security (EHSS) standards throughout the organization, extending to all entities, divisions, and partners. We aim to match best in class standards, to conduct all operations beyond compliance, and to inspire this mindset in everyone who works for or with SABIC. In keeping with this ambition, we also strive for full compliance with legal requirements and promptly addressing non-compliance with applicable EHSS laws and regulations.

Our EHSS Policy provides an overall direction to the whole organization and forms the basis which drives our efforts and journey towards EHSS improvement. Our policy may be viewed here: [www.sabic.com/en/about/ehss/policy](http://www.sabic.com/en/about/ehss/policy)

Further, SABIC's commitment to quality, including ISO 9001, OHSAS 18001 and Responsible Care® certificates may be found here: <https://www.sabic.com/en/about/our-quality-standards>

We measure our overall EHSS performance through a number of key performance indicators, including an internally developed EHSS metric called the EHSS Rate, formerly referred to as SHER. The EHSS rate incorporates a comprehensive range of EHSS incident types including environmental releases, process safety events, occupational health and safety injuries, illnesses and security incidents. Incidents are weighted according to severity to calculate their contribution to the metric, and the rate is normalized to 200,000 man-hours. We have a strategic goal to reduce our global EHSS Rate to no more than 0.25 by 2025.

Environmental emission performance is a key component of our integrated EHSS metric, and the EHSS Rate counts significant releases in each of three classes, from A (most severe) to C (least severe). Class A incidents are those that result in a release of hazardous material greater than 10 metric tons (t) from the primary containment and Class B incidents range between 4 to 10 t; Class C incidents have a lower limit of 0.1 t.



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All sites use the same matrix to define the EHSS incidents and the associated classification. The weighting for the EHSS Rate is 50 points for Class A incidents, five for Class B incidents, and one for Class C incidents.

## Governance and Operating Rhythm

SABIC's leadership has created a robust governance system to ensure that our EHSS culture is supported by teams with real accountability.

The EHSS Executive Council, comprising SABIC's Vice-Chairman and CEO, executive vice presidents, EHSS functional leaders, and members of the legal team, meets biannually to review performance, establish milestones, and review strategic programs and company-wide initiatives. A separate EHSS Council, which includes manufacturing-affiliate presidents and site and functional EHSS leaders, meets quarterly to coordinate strategic programs, enhance EHSS culture, and identify areas requiring special focus. In addition, a Product Stewardship Council advances knowledge and practice, and reduces the environmental, human health, and safety risks of our product portfolio.

Together, these councils support the day-to-day work of 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.

## Other EHSS Metrics

- All injury and illness related data and metrics are created and calculated using definitions and procedures analogous to those set forth in United States' 29 CFR 1904 (the Occupational Safety and Health Act, OSHA).  
[https://www.osha.gov/pls/oshaweb/owasrch.search\\_form?p\\_doc\\_type=STANDARDS&p\\_toc\\_level=1&p\\_keyvalue=1904](https://www.osha.gov/pls/oshaweb/owasrch.search_form?p_doc_type=STANDARDS&p_toc_level=1&p_keyvalue=1904)
- All process safety related data and metrics are created and calculated as per the guidelines of the Center for Chemical Process Safety (CCPS®).  
<http://www.aiche.org/ccps/resources/tools/process-safety-metrics#indicators>

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## Process Safety Knowledge and Competency

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 2018, we strengthened the following programs:

**Process Hazard Analysis Leader Qualification**

**EHSS Risk Assessment for Leadership**

**Fire Prevention and Emergency Management Training**

## 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.

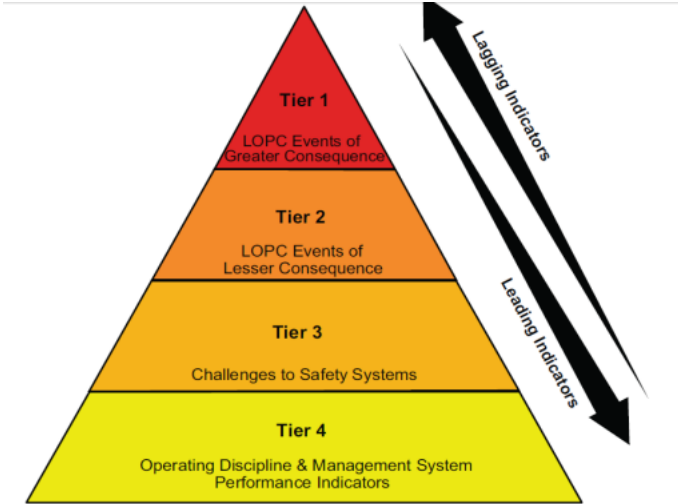
This year, SABIC formed new cross-functional teams to identify high-consequence process safety scenarios in several operational areas. They studied major incidents and near misses – at SABIC and other global companies’ process safety alerts from technological providers. In total, they identified 91 scenarios and connected them to specific units, identifying minimum safeguards for prevention. We are embedding these findings in our safety standards, including pre-incident planning, emergency preparedness, and crisis response.

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 helps us to develop procedures to more safely start up and shut down unit operations and manage emergencies or other abnormal operations. This year, we trained 13 professionals in TOH.

In alignment with global custom, since 2018 SABIC has decided to adapt its process-safety-metrics reporting to the leading and lagging indicators recommended by international standard API 754, thereby enabling international comparison. External benchmarking of the number of loss of primary containment incidents (LOPCs) demonstrates that SABIC is performing to the best standards in the industry. SABIC

improved our corporate leading metrics set by identifying dominant incident root causes and translating them into key metrics. In order to keep reducing the number of LOPCs, SABIC will also collect and publish the number of Tier 2 LOPCs. For further analysis of high potential incidents, Tier 3 metrics have been developed. The most important drivers of incident root causes and improvement programs have been aligned as Tier 4 on a corporate level. SABIC has been using them to assist in further improving its process safety management in 2019.



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## Weight of Evidence Approach (WoE)

A weight of evidence (WoE) approach is a method for decision-making that involves consideration of multiple sources of information and lines of evidence. SABIC believes in a risk based approach that is data driven with weight of evidence as the key driver. The SABIC SAFER process does not always require scientific certainty of risks before mitigation measures are implemented. Rather, SAFER requires consideration of the likelihood of a significant adverse impact and the potential magnitude in order to determine when risk mitigation is required. Accordingly, risk mitigation is required where there is a possibility of high potential impact, even if it is unlikely such impact may occur.

SABIC also has procedures to identify and address EHSS risks posed by our products. SABIC has a Product Stewardship department that works with manufacturing, commercial, and technology staff to assess and address potential risks from SABIC products, including potential environmental and health risks. The Product Stewardship department conducts periodic risk reviews of existing products. Similarly, SABIC's process for development and commercialization of new products includes review of potential environmental and health risks and mitigation of any significant risks identified. Such risk reviews consider threats of damage as well as proven damage. Mitigation measures considered for significant risks include substitution, hazard warnings to purchasers, or discontinuation of the product. As a Responsible Care® company, SABIC applies the risk assessment principles set forth in that program's product safety code.

## Product Stewardship Performance and Metrics

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.

Our success is built on maintaining information on the safety, health, and environmental hazards of our products and raw materials, and collecting information on exposure-and-use scenarios. New products and formulations go through a rigorous screening and approval process to characterize, manage, and mitigate risk throughout the product life cycle. We actively seek alternatives in cases where safe use cannot be guaranteed. We communicate product stewardship information to internal and external stakeholders globally so that products are managed and handled safely as intended. We seek to continuously improve our culture and processes for both new and existing products to reduce health, safety, and environmental risks for SABIC and its customers for the benefit of our global communities.

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Developing appropriate metrics to measure the performance of product safety processes is key to improving SABIC's activities in this area. Transparency of SABIC's product governance processes is increasingly an expectation of our stakeholders, and we continue to develop new and effective processes to bring proactive product safety measures to our employees, customers, and the global community.

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.

## EU REACH Regulations

Under the European Union's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulations, companies are responsible for providing information on the hazards, risks, and safe use of chemical substances that they manufacture or import. As a responsible manufacturer and importer of chemicals, SABIC cares for the safety and health of people and the environment, cooperates with co-producers, suppliers, and customers to achieve our REACH goals, and works to continuously improve their safety, health, and environmental performance. To date, we have registered or pre-registered every chemical in SABIC's portfolio that falls under REACH's jurisdiction, allowing us to continue to manufacture, use and import our products into the EU. In 2017, we made our final preparations to meet the 2019 REACH registration deadline, updating our inventory of imported low-volume chemicals. We also extended our support network of external REACH consultants and optimized our internal processes for collaborating with the various consortiums that operate within the EU.

## Product and Service Labeling

Product safety, regulatory compliance, and transparency are critical to SABIC's relationships across the value chain. Our 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.

We work continuously to provide accurate, compliant, and current product information and labeling to our customers across the globe, such as product safety data sheets that comply with the Globally Harmonized System (GHS) of classification and labeling for chemicals in each country and language where we operate or sell products. A safety data

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sheet is available for all SABIC products. Consistent with GHS and industry practices, SABIC's safety data sheets include information on hazardous constituents, product hazards and safe use, and disposal considerations.

### **Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling**

This material is in addition to that in the report section on product safety and product safety incident metrics. SABIC tracks and reports all incidents internally through the Product Stewardship and Legal departments, and is developing an incident system to track and report incident numbers externally.

## **An additional look at EHSS by the numbers**

- 91 high-consequence process safety scenarios identified by cross-functional teams.
- 24 EHSS networks as 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.
- 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.
- 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.

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## Marketing Communications

### Sale of banned or disputed products

SABIC's Product Stewardship department is responsible for identifying legal requirements restricting or prohibiting the manufacture, use, and sale of chemical substances. SABIC's Product Stewardship department continually monitors developing and new chemical substance requirements in all relevant countries and regions, including the European Union, China, Japan, and the Americas. It is SABIC's policy to comply with all such restrictions and prohibitions and the restrictions of key customers. SABIC's Product Stewardship department provides customers with information on the constituents of our products so that our customers are able to comply with applicable chemical substance regulations and laws. This information is provided through safety data sheets and direct communications with customers. SABIC also participates closely with trade groups, such as ICCA (International Council of Chemical Associations) to help develop a more sustainable future and ensure the safety and protection of human health and the environment. A key initiative is the Global Product Strategy, with key pillars of Product Stewardship, Risk Assessment and Management, Stronger Chemicals Management Globally, and Transparency. Further details about each pillar can be obtained at the following website: <https://www.icca-chem.org/global-product-strategy-gps/>.

### Marketing and Communication Compliance

SABIC is an upstream company, not a consumer products company and therefore considers GRI G4 PR-07 and 08 to be not material. These include the total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications and the total number of substantiated complaints regarding breaches of customer privacy.

## Compliance

### Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

SABIC's Legal and EHSS departments track fines and penalties for non-compliance with laws and regulations concerning the provision and use of its products. The monetary value of fines paid by SABIC in 2019 for non-compliance with laws and regulations concerning the provision and use of its products was not significant.

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## Human Capital Development

### Talent Development

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 uses different channels for talent development. In 2019, we grew human capital in multiple ways. We established over 1900 learning and development programs to support learning at every professional level and area of our business. SABIC worked with universities globally to provide the best resources for our employees, including an on-demand leadership and management skill-development tool from one of the world's top business universities.

Talent is also developed through other efforts such as our Young SABIC Professionals (YSP) and SABIC Women's Network (SWN) internal organizations. In addition, our career lines help guide employees on their career journey and the SABIC Academy provided extensive training and educational opportunities.

SABIC has a strong track record of investing in its people, and offers different avenues and training programs to improve oneself.



## SABIC Leadership Way



We began our SABIC Leadership Way transformation in January 2017, which is built around the guiding principles that anchor SABIC's purpose of 'Chemistry that Matters™' with our commitments and values: Inspire, Engage, Create, and Deliver. It aligns with our 2025 strategy and allows us to create a dynamic and inclusive leadership culture that develops the right talent for the right challenges, encouraging immediate responses while keeping a focus on long-term goals.

The SABIC Leadership Way has four leadership priorities:

- **Talent Champion:** Bringing in the best people, and growing and developing them to fuel our growth and achieve our goals. SABIC leaders should seek growth opportunities for teams and take personal responsibility for championing development and career progression.
- **Collaboration Partner:** Working closely with colleagues and partners on smarter, more efficient, and higher-performing products and ways of working. Communication is critically important to success and a focus area for improvement – as we learned from our 2019 Employee Survey. SABIC leaders should co-create for shared stakeholder success.
- **Innovation Pioneer:** The pace of change is only getting faster. We can only remain relevant and retain a leadership position through innovative ideas and ways of

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working. SABIC leaders should to encourage new thinking at every level and drive innovative approaches that make an impact for our customers.

- **Excellence Driver:** Making an impact for customers, stakeholders, and communities requires continual improvement and a sense of urgency.

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.

## Workers and Communities

### Fair Employment Practices

A pillar of our competitive strength is our global and diverse workforce that includes people from many different cultural backgrounds. We are committed to creating and fostering a culture of respect and fair employment practices that prohibits all forms of illegal discrimination. We observe all applicable labor and employment laws wherever we operate. That includes, wherever applicable, observing those laws that pertain to freedom of association, privacy, recognition of the right to engage in collective bargaining, the prohibition of forced, compulsory and child labor, and those laws that pertain to the elimination of any improper employment discrimination (including unlawful workplace harassment). This policy is laid out in our Code of Ethics.

### Management-Worker Health and Safety Committees

SABIC's management standards require the formation of EHSS committees at various levels to provide for involvement of employees in monitoring EHSS performance and implementing and improving EHSS programs. Specifically, each facility is required to hold shift and shop floor EHSS meetings to discuss EHSS incidents, concerns, and issues. The information from the shift and shop floor EHSS meetings is included in discussions of required departmental EHSS meetings. In addition, SABIC's management standard requires the formation of EHSS committees in each region and in each entity or function to monitor EHSS performance and advise on EHSS programs.

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## Supply Chain and Procurement

### Description of Supply Chain

Key supply chain activities include procurement of direct and indirect materials and product distribution. Direct materials include raw materials plus feedstock directly purchased to make our products. Indirect materials are all other products purchased. Supply chain responsibilities also include the transportation of products to our customers.

SABIC procures products and services from over 20,000 qualified suppliers. In addition to a financial and technical qualification process in which it is determined if the suppliers meet SABIC's requirements, all of our global suppliers are also subject to the SABIC Supplier Lifecycle Management (SLM) program. This program includes robust due diligence to ensure SABIC suppliers meet our sustainable supply chain and procurement requirements, and to demonstrate their compliance practices in areas such as safe working conditions, anti-corruption, and environmental responsibility.

Related to the transportation operations and logistics, our global supply chain delivers more than 37 million tons of products to some 20,000 locations in over 140 countries every year. In addition, products flow through around 200 distribution centers using 500 logistics service providers. The vast majority of our supply chain is maritime transport; road freight is a much smaller portion.

This year, we continued to implement the SABIC Global Supply Chain Excellence Framework to enhance reliability, agility, resilience, and efficiency, and to stimulate innovation. The framework, which consists of nine elements, covers all aspects of the supply chain, from strategic governance to operational excellence to EHSS and sustainability. Global Supply Chain will use this framework to further improve sound governance and measurement of our EHSS and sustainability activities.

In addition, we continued to use our Supply Chain Performance Management program, launched in 2017, to rapidly scale up our sustainability performance. This key tool provides a visual snapshot of our supply chain sustainability performance, as well as other business metrics, enabling us to thoroughly measure, validate, and analyze critical performance data and quickly prototype new metrics.

We use an indirect methodology to calculate the greenhouse gas emissions associated to SABIC's chartered transportation tenders. The emission factors (EFs) database is developed by DEFRA (Department of Environment, Food and Rural Affairs, UK government) and we review the EFs every year after DEFRA's review. This year, our average transportation intensity factor was 12.3 grams of carbon dioxide equivalent per

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ton-kilometer transported (g CO<sub>2</sub>eq/t-km), which was 2.4 percent lower than our 2018 level. 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 was 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 longer term.

For many years, SABIC has reported, analyzed, and tracked incidents across our supply chain. We use our Supply Chain Incident Reporting KPI to measure safety performance, identify improvement areas, and create an internal and external benchmarking platform and improvement road map. 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 (Logistics Service Providers) to avoid future accidents. More specifically, we strengthened defensive driving training programs which are verified in the SQAS (Safety and Quality Assessment) review. We are also evaluating the content, frequency, and effectiveness of our training programs to look for gaps and opportunities for improvement.

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## Social Impact and Community Relationships

### Community Giving

SABIC has a strong culture of giving and volunteerism that complements our commitment to sustainability. This culture inspires our investments in corporate social responsibility (CSR) programs to create lasting, positive impacts for societies and environments throughout our global communities. In 2015, we began our global CSR strategy, RAISE, to guide our approach to charitable donations, sponsorships, partnerships, and employee-volunteer programs. We use RAISE – Reputation, Audience, Innovation, Strategy, and Endurance – to select programs that elevate SABIC’s brand, address community needs, and promote our values. RAISE prioritizes four socially responsible areas: Science and Technology Education, Environmental Protection, Health and Wellness, and Water and Sustainable Agriculture, supporting SABIC’s 2025 strategy and Saudi Arabia’s Vision 2030. The areas also promote the UN's Sustainable Development Goals

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.

### About This Report

#### Last Report Launch Date

APRIL 11, 2018

#### Current Report Launch Date

APRIL 9, 2019

#### Main Countries of Operation

Please see our annual report [https://www.sabic.com/assets/en/Images/SABIC-Annual-Report-2019-English\\_tcm1010-22074.pdf](https://www.sabic.com/assets/en/Images/SABIC-Annual-Report-2019-English_tcm1010-22074.pdf)