

## SABIC Palm Kernel Oil Sourcing Policy

### BACKGROUND

SABIC strives to do business in a way that supports environmental protection and is committed to promote sourcing of responsible palm kernel oil (“PKO”) that is produced in a sustainable manner and is traceable from plantation to product.

This SABIC PKO sourcing policy (the “**Policy**”) further specifies key elements of our PKO related sourcing and is based on our [Supplier Code of Conduct](#). The use of sustainable PKO and thus reducing the environmental and social impacts along the supply chain is an important component of SABIC’s business practices and procurement strategy.

The foundation of this Policy is the set of principles and criteria (“**P&C**”) for the Roundtable on Sustainable Palm Oil (“**RSPO**”). The Policy is designed to drive sustainable market transformation, through collaboration beyond our own supply chains with key suppliers, governments and the broader industry on the implementation of the seven RSPO P&C in a transparent manner to build trust and drive ethical behavior.

This Policy is effective immediately. We expect our PKO suppliers to follow the 2018 RSPO P&C, which incorporate the key elements of our no deforestation, no peat, and no exploitation (“**NDPE**”) policy outlined below:

- Transparency
- No development of high conservation value areas and high carbon stock forests
- No new development of peat lands, regardless of depth
- No burning to clear land for new development or replanting
- Compliance with the SABIC [Supplier Code of Conduct](#)
- Respect for human and labor rights
- Respect for land tenure rights, including rights of indigenous and local communities to give or withhold their free, prior and informed consent for development of land they own legally, communally or by custom.

### Supply Chain Transparency

Ensuring supply chain transparency is the backbone of SABIC’s responsible supply chain policy and we understand that the role of transparency is critical to evaluate risks and compliance to the RSPO NDPE policy. To achieve this goal, we collaborate with our suppliers to ensure that they publish their own concession maps and to work with their suppliers to publish their concession maps periodically.

### Verification

SABIC intends work with suppliers which meet RSPO certification criteria and are willing to be our partner to meet our sourcing expectations.

We expect our PKO suppliers to provide us with satisfactory documentary proof demonstrating that they are fully complying with the RSPO NDPE policy mentioned above, and to share their PKO traceability plan in order to have 100% traceable PKO. As an essential part of the verification, SABIC shall work with suppliers to share the list of mills, including those characterized as “high risk” (by the World Resource Institute and Global Forest Watch Pro risk assessment process) and also share with us the fresh fruit bunches source profile to identify mill risk.

The PKO supply chain model adopted by SABIC is “mass balance” (“**MB**”) and we intend to move towards 100% certified RSPO “segregated” (“**SG**”) PKO by 2030.

### Definitions

#### **MB**

Supply chain model that allows certified claims to be transferred from one oil palm product to another, either through physical blending or administratively under strictly controlled circumstances. The certified and uncertified PKO may be mixed at any stage in the supply chain provided that the volumes of the certified PKO are administratively monitored and controlled throughout the supply chain.

#### **SG**

The segregated supply chain model assures that RSPO certified oil palm products delivered to the end user come only from RSPO certified sources.

### Grievance

All of SABIC’s PKO suppliers shall share with us their own policies and procedures proving that they are fully complying with this Policy. If SABIC concludes that a supplier is violating this Policy, and the supplier does not take any action to resolve the violation within 30 days of being notified by SABIC, then SABIC will suspend all the PKO purchases from such supplier in accordance with the terms of any underlying purchase agreement. In order for the PKO supplier to restart supplies to SABIC, the supplier will be required to share a documented action plan acceptable to SABIC with demonstrated progress towards resolving any concerns identified by SABIC.