

CHEMISTRY THAT MATTERS™



STEP BY STEP

SUSTAINABILITY REPORT 2012





STEP BY STEP TO A SUSTAINABLE FUTURE THROUGH PEOPLE WHO CAN

This document is the second annual sustainability report for SABIC. It provides an update on our progress towards achieving the sustainability goals we laid out publicly for the first time in 2012.

Last year's report broadly introduced SABIC's sustainability history and vision to our stakeholders. This report reflects our determination to enhance our sustainability performance continuously over time and respond to additional stakeholder expectations.

As discussed in this report, sustainability is a long-term journey with the discipline and determination to continuously move forward. This is why we have selected the title of "Step by Step" for this report. Throughout this report we also emphasize a continuation of the theme of "People Who Can" from our 2012 Annual Report, because inherent in our success is the engagement of our employees in meeting the expectations of all our stakeholders in the quest to become a sustainable business.

In planning for this report, we listened to feedback from a range of internal and external stakeholders, including dozens of SABIC employees in each of our four regions, NGOs, investor groups, customers, and industry associations. Their feedback led us to organize our report around five key chapters. This realignment serves two purposes: to make information easier to find and to reinforce our belief that sustainability is a long-term journey that must focus

us on our key areas of environmental, social, and economic impact. The five key chapters are:

OUR SUSTAINABILITY VISION AND STRATEGY

Our strategy is to continuously evaluate our opportunities based on understanding the expectations of our stakeholders. It is rooted in a culture of sound governance and business ethics, and a commitment to spurring progress on sustainability through innovation. Our vision is to be the global leader in the industries we serve.

CREATING ECONOMIC VALUE

Our economic impact comes not only from the products we manufacture, sell, and transport all over the world, and the highly skilled jobs we offer, but also from collaborations throughout the value chain that multiply our impact. Providing safe, reliable, and sustainable solutions for society and our customers will maximize the economic value we create.

PROTECTING NATURAL CAPITAL

We realize that in order to grow our business we must continue to increase our resource efficiency and conserve the natural resources on which we rely.

INVESTING IN OUR PEOPLE

As a global business with offices in more than 40 countries, we depend on a diverse population of employees for our continued success. This requires that we meet the broad array of professional and personal needs of our employees.

IMPROVING OUR COMMUNITIES

Ties to our communities have always been a strong part of our foundation. As we evolve into a more global company, our community efforts must also evolve.

REPORTING PERIOD, SCOPE, AND BOUNDARIES

This report was published in September 2013 and covers our sustainability performance for the 2012 fiscal year, which ran from January 1, 2012 to December 31, 2012. Content in this report covers SABIC businesses and operations that are financially consolidated in our Annual Report. Our financial reporting structure will be adjusted in 2013 to align with international accounting rules for joint investment – our Sinopec SABIC Tianjin Petrochemical Company (SSTPC) venture will no longer be consolidated in SABIC's financial reporting.

For the 2010 and 2011 reporting years we sought the involvement of KPMG to increase our own confidence in SABIC's global footprint data, which cover energy consumption, GHG emissions, fresh water usage, and material loss. Data is collected and internally verified using robust processes that have been further improved every year. For our 2012 report, KPMG provided Limited Assurance on our four sustainability footprint metrics and intensities, our corporate environment, health, safety and security incident metrics, and our Recordable Safety Incident Rate. The assurance report is found at the end of this document.

“ THIS REPORT REFLECTS OUR DETERMINATION TO ENHANCE OUR SUSTAINABILITY PERFORMANCE CONTINUOUSLY OVER TIME AND RESPOND TO ADDITIONAL STAKEHOLDER EXPECTATIONS. ”



We believe these external assessments further enhance our sustainability reporting and provide our stakeholders with confidence in the performance data included in this report.

REPORTING FRAMEWORKS

We utilized the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Principles of materiality, completeness, sustainability context, and stakeholder inclusiveness to guide the selection and organization of content for this report. We are self-declaring at GRI Application Level B, and a complete GRI Index can be found in the online version of this report here: www.sabic.com/corporate/en/sustainability/sustainability_report

SABIC, as an entity, joined the UN Global Compact in June 2012. This is a practical framework endorsed by chief executives from some of the world's largest companies for the development, implementation, and disclosure of sustainability policies and practices. We are using this report as our official UN Global Compact Communication on Progress.

To learn more about SABIC's sustainability activities and performance online, visit www.sabic.com. Additional information about our business and 2012 financial performance is available in our Annual Report.

“ WE PLAN TO ACHIEVE OUR GOALS THROUGH THE FOCUSED COMMITMENT OF OUR PEOPLE AND OUR BELIEF IN THEIR ABILITY TO CREATE CHEMISTRY THAT MATTERS™ – SOLUTIONS AND PRODUCTS THAT MAKE THE WORLD A BETTER PLACE. ”

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CHAIRMAN'S WELCOME STATEMENT

“ WE LIVE AND OPERATE IN A WORLD WHERE SUSTAINABILITY IS NOT JUST A ‘NICE TO DO’ ACTIVITY, BUT A FOUNDATION STONE OF OUR STRATEGY. ”

SABIC has grown from humble beginnings in the Kingdom of Saudi Arabia to one of the largest integrated petrochemical companies in the world. Our 40,000 dedicated employees operate in more than 40 countries across six strategic business units to deliver products for diverse applications and industry sectors, including transportation, construction, agriculture, electronics, and packaging.

With this scale and diversity comes tremendous responsibility to our customers, employees, communities, and the broader environment. We are working hard to create products and solutions that make the world a better place. Achieving this vision requires a genuine commitment to sustainability – to reduce our own environmental burden, while enabling our customers to do the same in the application of their end products. We see this as the heart of our vision for delivering “Chemistry that Matters™.”

We have remained focused on embedding sustainability into our business processes and reducing our manufacturing footprint. All this is done in the interest of building a company that will last a long time.

We live and operate in a world where sustainability is not just a ‘nice to do’ activity, but a foundation stone of our strategy to ensure we can continue to thrive over the longer term. Our new corporate strategy, SABIC 2025, which defines a pathway for us to become the global leader in chemicals, is no idle ambition. It has been built within the context of key megatrends, including climate change, population growth, resource scarcity, urbanization, responsible consumerism, and rapid technical change. These trends are changing the way SABIC thinks about the world. To address the complexity these trends engender, we must collaborate with suppliers, customers, and other business partners in new ways, innovate faster, and integrate innovation in sustainability across the business. I am confident we can achieve our ambition, and I welcome your partnership with SABIC in helping us to do so.

PRINCE SAUD BIN ABDULLAH BIN THENAYAN AL-SAUD
CHAIRMAN



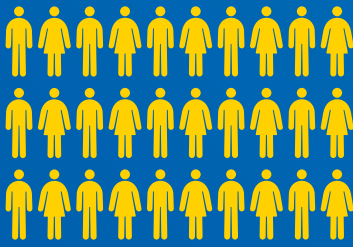
ABOUT SABIC

WHO WE ARE AND WHAT WE DO

SABIC is one of the world's top petrochemical companies. The company ranks among world-market leaders in the production of polyethylene, polypropylene, and advanced thermoplastics, glycols, methanol, and fertilizers. It is also one of the largest producers of steel in the Middle East. Our vision is to be the global leader in chemicals.

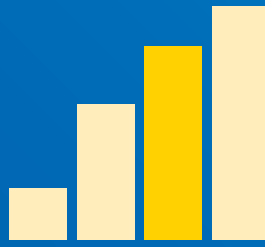
Our mission is to provide quality products and services responsibly, through innovation, learning, collaboration and operational excellence, while sustaining maximum value for our stakeholders.

KEY FACTS



40,000

EMPLOYEES



2ND

LARGEST DIVERSIFIED CHEMICAL
COMPANY IN THE WORLD



80+

GLOBAL OPERATIONS

60+

SITES WORLDWIDE

13

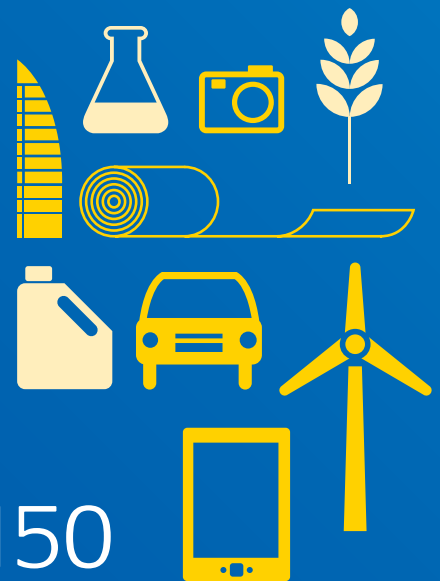
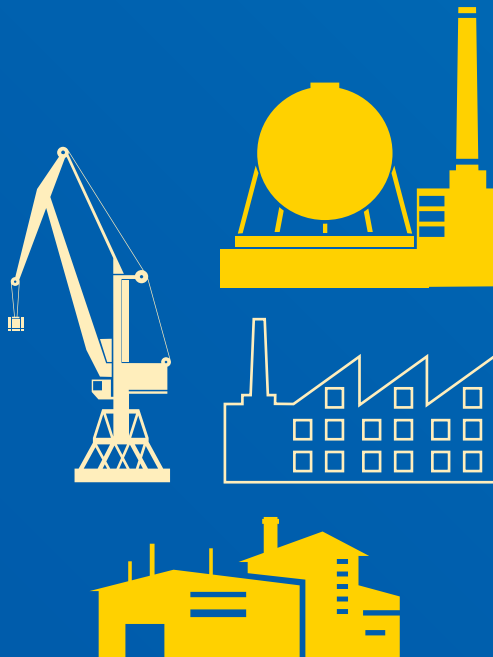
TECHNOLOGY
CENTERS

4

APPLICATION
CENTERS

1

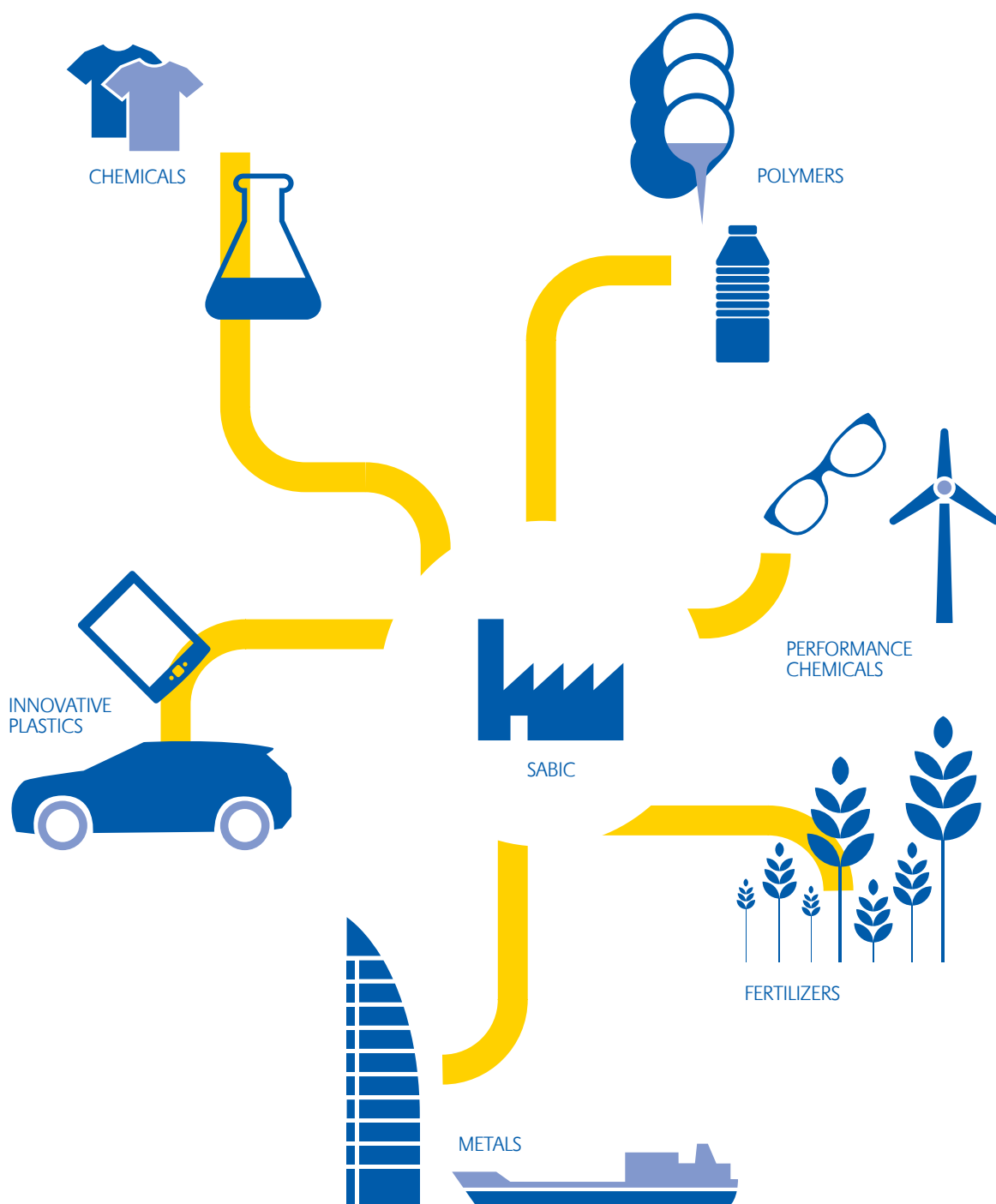
CORPORATE RESEARCH
& INNOVATION CENTER



150

NEW PRODUCTS
EACH YEAR

OUR SIX STRATEGIC BUSINESS UNITS



“ OUR BUSINESSES FLOW FROM THE RICH HYDROCARBON RESOURCES OF SAUDI ARABIA, ESPECIALLY CLEAN NATURAL GAS. ”



CHEMICALS

Chemicals is our largest Strategic Business Unit (SBU). We produce four groups of chemicals – olefins and gases, aromatics and chlor-alkali, glycols, and oxygenates – that are used to create end products incorporated in everyday applications ranging from packaging materials to antifreeze to paper and textiles.

POLYMERS

Using raw materials and chemicals made by our Chemicals business, Polymers produces high- and low-density polyethylene, polypropylene, polystyrene, and other polymers that have a huge range of applications from food packaging to water pipes to health care.

PERFORMANCE CHEMICALS

Performance Chemicals produces technologically advanced chemical derivatives tailor-made for specialized applications in healthcare, transportation, automotive, electrical, lighting, and consumer electronics.

FERTILIZERS

Our Fertilizers business supplies a comprehensive portfolio of products that help farmers to produce more food more efficiently. Our key markets are Southeast Asia, North America, Oceania, South Africa, and the Indian subcontinent.

METALS

SABIC is one of the leaders in the Middle East in steel production with its portfolio comprising of both long and flat products. Our long-steel products are used in construction, and our flat-steel products are used in a range of applications from home appliances to cars and pipe manufacturing.

INNOVATIVE PLASTICS

Innovative Plastics has a portfolio of approximately 40,000 products in five areas: thermoplastic resins; specialty compounds; film and sheet products; additives and intermediates; and coatings. These products are used in almost every area of modern day life, such as lighting, automotive safety applications, electronics, and health care.



PERFORMANCE SUMMARY

This year, in response to feedback from our stakeholders to provide more data and metrics on our sustainability performance, we are now reporting more of our key metrics where we have reliable data to demonstrate our commitment to managing all of our resources and processes.

“ WE ARE COMMITTED TO
PROVIDING MORE DATA AND
METRICS ON OUR SUSTAINABILITY
PERFORMANCE. ”



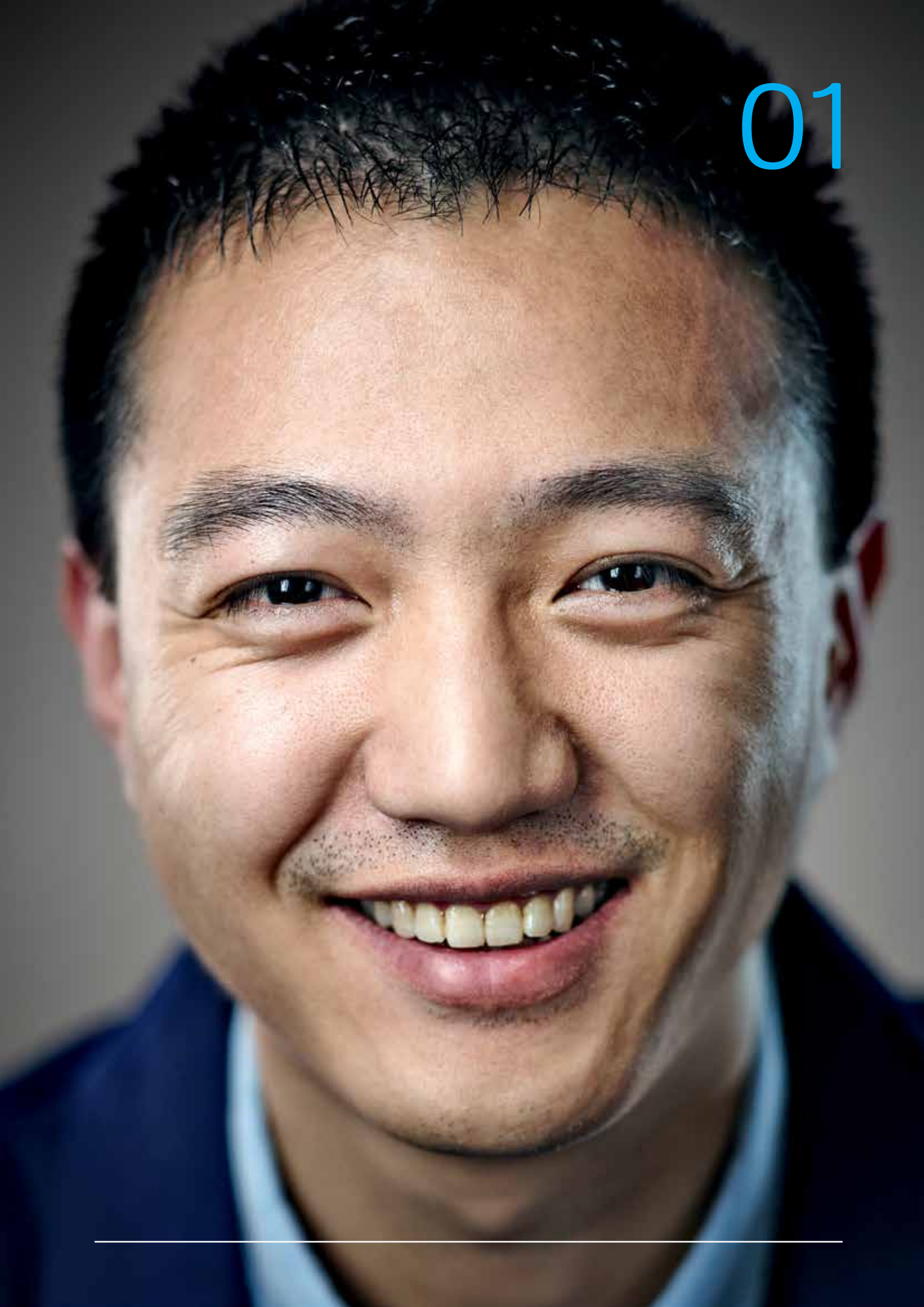
METRIC	UNITS	2012
COMPLIANCE		
Compliance Concerns Raised	Number	78
Incidents Closed	Number	78
Violations Addressed	Number	36
ECO-EFFICIENCY		
GHG Emissions Intensity	MTCO ₂ eq/MT of product sales	1.4*
Water Intensity	m ³ /MT of product sales	3.1*
Material Loss Intensity	MT/MT of product sales	0.11*
Energy Intensity	GJ/MT of product sales	18*
Hazardous Substance Release (Class A & B)	MT	46.1
HEALTH AND SAFETY		
SHER Rate	Total Safety, Security, Health, and Environment Incidents per 200,000 hours worked	0.96*
Recordable Incidence Rate	Recordable injuries and illnesses per 200,000 hours worked	0.217*
Occupational Illness Rate	Total recordable occupational illnesses per 200,000 hours worked	0.003
WOMEN IN THE WORKFORCE		
Total	Percent of workforce	7.9
Americas	Percent of workforce	20.8
Asia Pacific	Percent of workforce	25.9
Europe	Percent of workforce	16.1
Middle East and Africa	Percent of workforce	0.3
COMMUNITY GIVING		
Americas	USD	2,203,000
Asia Pacific	USD	447,000
Europe	USD	357,000
Middle East and Africa	USD	13,287,000

*Within KPMG assurance scope

OUR SUSTAINABILITY VISION AND STRATEGY

“THERE ARE NO SIMPLE
ANSWERS TO SUSTAINABILITY.
WE MUST CHALLENGE OURSELVES
EVERY DAY TO FIND NEW AND
INNOVATIVE SOLUTIONS.”

01



OUR JOURNEY

SABIC recognizes that in order to succeed in today's global marketplace, sustainability must be embedded in the way we do business. That's why our vision is to integrate the environmental, social, and economic dimensions of sustainability into our core business strategy, and to ensure that throughout our business we have a deep understanding of the megatrends that will affect our company, and society at large, for the next several decades. We also recognize that our response to these megatrends must be integrated into the fabric of our business's processes, tools, and priorities.

Population growth presents a clear challenge. By 2050, an estimated nine billion people will inhabit the earth, with more than 60% living in urban centers. The rapid rise in new middle-class families will result in an increase in global consumption.

These megatrends will drive significant growth in SABIC's core businesses, but will require more resources such as energy, materials, water, and food that are already strained. These and other environmental and social megatrends are at the top of the agenda of governments and nongovernment organizations, and they are represented in the United Nations' Millennium Development Goals. At SABIC, we believe that business plays an important

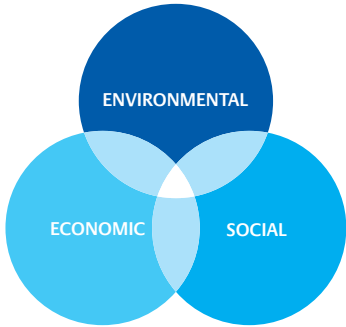
role in developing solutions to these challenges, and that as a company we must integrate sustainability into the way we think and act.

We also acknowledge that no one company can address these issues. The scale of the challenge is too large, too urgent, and requires speed never before imagined. Therefore, as a company we must collaborate with our stakeholders and business partners across the value chain. We must develop innovative sustainability solutions for the industries, regions, and cultures in which we operate.

Our vision and strategy for sustainability recognizes there are no simple solutions to address the environmental, social, and economic needs of society. We must reexamine our achievements and challenges on a regular basis. For this reason we describe sustainability as a journey for our business that requires continuous learning, adaptation, and improvement of our basic business processes and our response to the priorities of our diverse stakeholders. We are working to optimize our impact, reevaluate our priorities, and ensure that we are viewing our core business strategy through the lens of sustainability.

OUR JOURNEY

Sustainability at SABIC is now an indispensable element of our business strategy. In 2009, with the advice of experts and thought leaders in sustainability, we established milestones to guide our activities and define our sustainability path to becoming a leader in the markets we serve.



This assessment revealed that SABIC had an established foundation in compliance and social responsibility. We also acknowledged that SABIC's origin was rooted in utilizing excess, and often flared, natural gas from oil extraction in a more productive and sustainable manner.

Expanding from this base, we focused our initial sustainability efforts on quantifying and improving our environmental efficiency, expanding our reporting transparency, developing a portfolio of sustainability solutions, engaging our people in sustainability, and expanding our innovation capability. Our sustainability journey is a continuous loop that requires introspection and evaluation of our direction on an ongoing basis. We have assessed our achievements and opportunities at each stage of our sustainability journey and list some of them in the table below.

We also describe in this chapter some elements that enable this journey, such as an expanded materiality assessment with our stakeholders; and executing deliberate changes that spur our progress.

“ WE DESCRIBE SUSTAINABILITY AS A JOURNEY FOR OUR BUSINESS THAT REQUIRES CONTINUOUS LEARNING, ADAPTATION, AND IMPROVEMENT OF OUR BASIC BUSINESS PROCESSES AND OUR RESPONSE TO THE PRIORITIES OF OUR DIVERSE STAKEHOLDERS. ”



As our business grows and matures, our sustainability efforts also must evolve. In 2012, we reviewed our sustainability priorities to ensure they were consistent with our overall business strategy, which we call SABIC 2025. Our SABIC 2025 strategy focuses on market-facing global growth, differentiated solutions, innovation in products and processes, and the cultivation of partnerships.

To ensure that the highest-priority environmental, social, and economic risks and opportunities are integrated and aligned with SABIC 2025, leaders across SABIC completed a review of our approach to sustainability and how it links to our SABIC 2025 strategy. The process reinforced our emphasis on four key sustainability priorities across the lifecycle that will focus our efforts as we continue on our path toward leadership in sustainability.

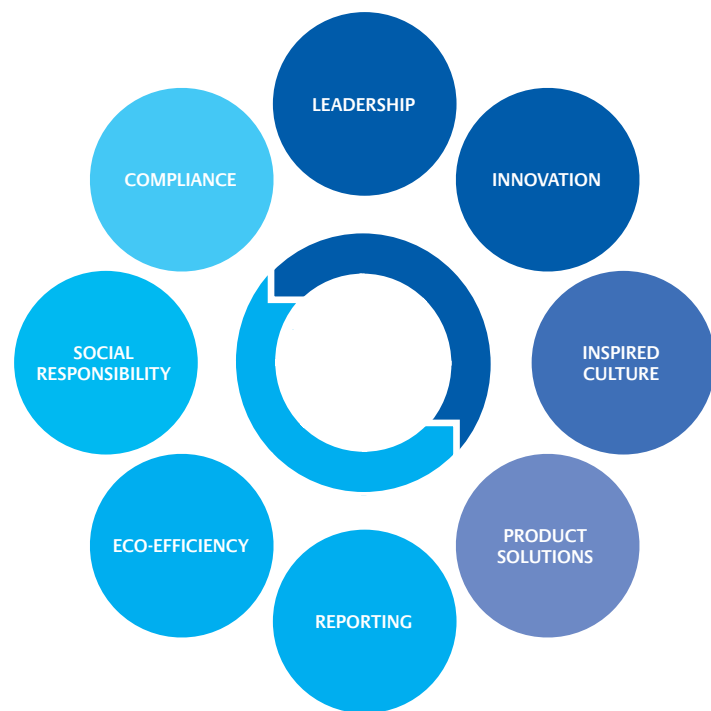
REDUCE CONSUMPTION OF FINITE MATERIALS

We are dependent on a large quantity of hydrocarbon feedstock. Given the inherently finite nature of our key raw materials, our long-term success as a business depends on optimizing our use of nonrenewable sources, and on developing renewable feedstocks and energy sources.

REDUCE ENVIRONMENTAL FOOTPRINT

Our business involves process operations with significant environmental impact and energy requirements that we must reduce through conservation, efficiency, and process innovation.

OUR SUSTAINABILITY JOURNEY



ENABLE OTHERS TO OPERATE MORE SUSTAINABLY

To address the megatrends that are impacting our marketplace and our communities, we must build innovative sustainability features into our products, services, and solutions and form partnerships that will accelerate and focus our efforts.

CLOSE THE LIFECYCLE OF MATERIALS

As a material and chemicals supplier, much of our indirect sustainability impact is downstream at the end-of-life

of our products. We seek to provide innovative solutions that close the material lifecycle.

If we deliver on these four factors we believe that equates to maximum value for SABIC and all its stakeholders.

OUR SUSTAINABILITY VISION AND STRATEGY

STEPS IN OUR CONTINUOUS SUSTAINABILITY JOURNEY

AREA	RESULTS FROM OUR JOURNEY SINCE 2010	OUR OPPORTUNITIES
Compliance	<ul style="list-style-type: none">– World-class EHSS standards.– Business-wide Code of Ethics.– Commitment to leadership of Responsible Care® in our operations and industry.– Contribution to regulatory dialogue on anti-corruption through multinational anti-bribery initiatives.	<ul style="list-style-type: none">– Expand our efforts deeper into the supply chain.
Social Responsibility	<ul style="list-style-type: none">– Sustained contributions to our communities.– UN Global Compact signatory.	<ul style="list-style-type: none">– Establish a global strategy for community giving.– Create SABIC Foundation to manage philanthropic activities.
Eco-Efficiency	<ul style="list-style-type: none">– Verified footprint data from 2010 onward.– Ambitious footprint improvement goals for 2025.– Business leader KPIs for energy, emissions, waste, and water.	<ul style="list-style-type: none">– Expand focus to include Scope 3 impact.– Make capital investments for more footprint reductions.– Develop technologies to produce the lowest-footprint products.
Reporting	<ul style="list-style-type: none">– Annual sustainability report starting with 2011.– Expanded engagement with external stakeholders on reporting and materiality.	<ul style="list-style-type: none">– Integrate sustainability and financial reporting.– Expand transparency to meet stakeholder expectations.
Product Solutions	<ul style="list-style-type: none">– Lifecycle Assessments to identify product sustainability solutions.– Sustainability Product Qualification Process.– Qualified sustainability product features from our Polymers and Innovative Plastics businesses.	<ul style="list-style-type: none">– Establish long-term sustainability goals and performance metrics for product development.– Increase downstream engagement and collaboration to better meet the sustainability needs of end-users.

“ OUR SUSTAINABILITY JOURNEY IS A CONTINUOUS LOOP THAT REQUIRES INTROSPECTION AND EVALUATION OF OUR DIRECTION ON AN ONGOING BASIS. ”



AREA	RESULTS FROM OUR JOURNEY SINCE 2010	OUR OPPORTUNITIES
Inspired Culture	<ul style="list-style-type: none"> – Sustainability assessment integrated into project and investment evaluations. – Internal training and awareness-building on product stewardship. – Formal and informal networks on diversity and environmental stewardship. 	<ul style="list-style-type: none"> – Continue to improve sustainability-performance forecasting tools. – Integrate sustainability milestones into additional business processes. – Develop performance deliverables at SBU and functional levels.
Innovation	<ul style="list-style-type: none"> – Over USD 500 million of investments in new laboratories in 2012 alone. – Sustainability inspired corporate programs across the product lifecycle. – Home of Innovation initiative to develop global partners. 	<ul style="list-style-type: none"> – Develop and implement breakthrough technologies for feedstocks, processes, and products. – Develop end-of-life solutions to close lifecycle. – Increase utilization of our by-products including CO₂ back in our processes.
Leadership	<ul style="list-style-type: none"> – Leadership displayed in the Middle East through reporting and engagement with global sustainability initiatives and organizations. – Integration of sustainability into business strategy. 	<ul style="list-style-type: none"> – Expand global engagement. – Increase influence on sustainability practices in the Middle East.



MATERIALITY PROCESS & STAKEHOLDER ENGAGEMENT

The publication of our first sustainability report, in 2012, was an important milestone because it required us to discuss our most material sustainability issues publicly. The report also served as a valuable tool to enhance engagement with internal and external stakeholders, and it gave us an opportunity to reflect on the priorities and vision that we had laid out.

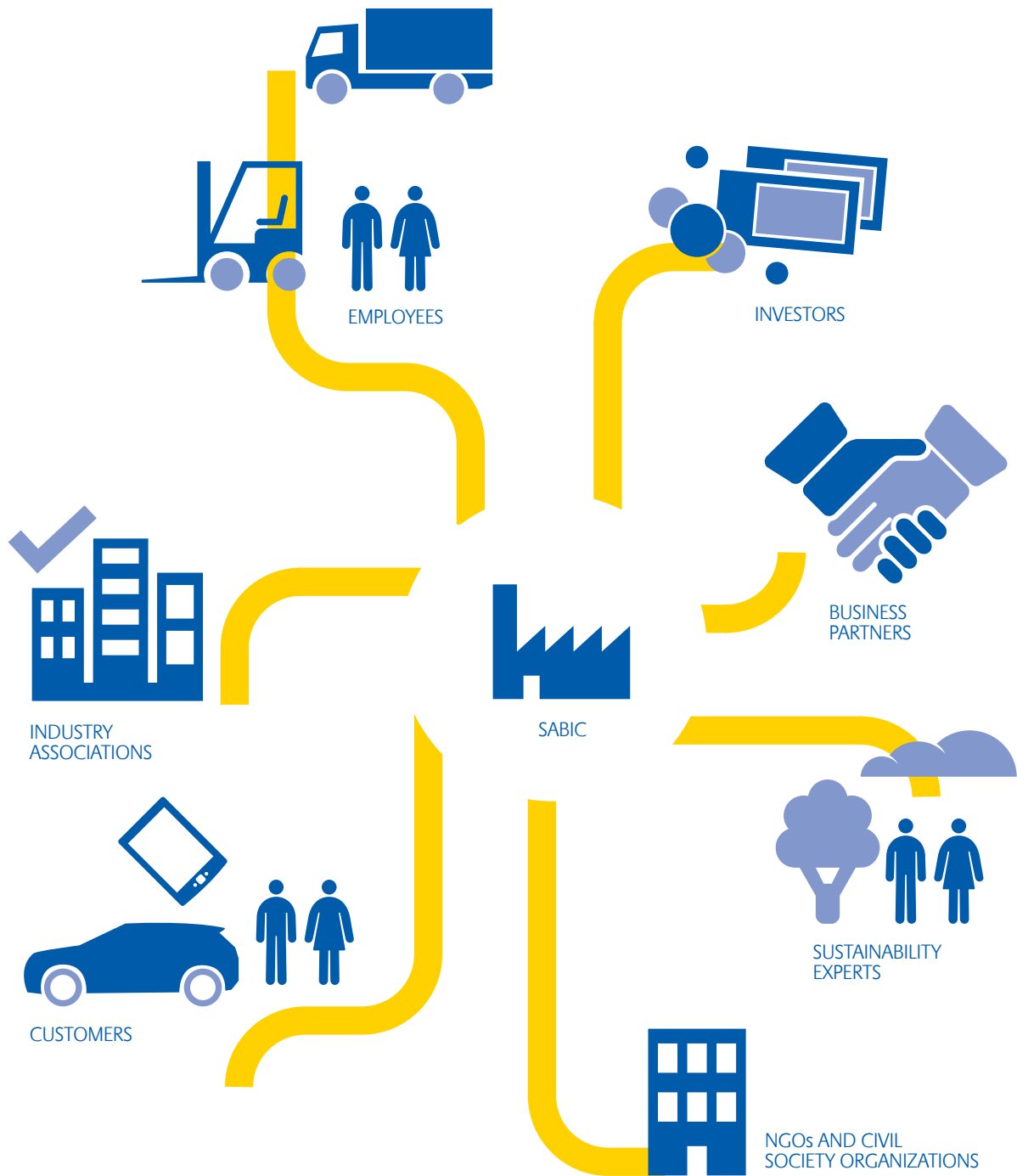
For this report, we once again conducted outreach to more than 100 of our business and corporate functional leaders across our four primary regions: the Americas, Europe, the Middle East, and Asia. We obtained feedback on the content of our first report, and asked our colleagues to reflect on whether our most material issues were covered adequately. We also received feedback via our websites. Our sustainability report received more than 15,000 downloads and hundreds of comments from employees within the first six months of the report's publication.

We also took a more rigorous approach to external stakeholder engagement. First, we engaged with sustainability experts from KPMG, BSR, GreenOrder, and others for direct input on our reporting strategy. We also developed for the first time an extensive stakeholder map, which consisted of more than 100 NGOs, civil society organizations, industry associations, investor groups, and academics covering all of SABIC's key regions and SBUs. After identifying our universe of stakeholders, we went through a process of prioritization to determine which stakeholders to reach out to for feedback and initial engagement. We prioritized those stakeholders who knew our sector, our communities, and the industries we serve.

Below we provide a summary of some of the comments we heard through this stakeholder engagement process, and how we are responding.

Our Sustainability Council reviewed the feedback to inform our list of material issues, and to develop the content for this and future reports. We will complete a new materiality assessment in 2013 and share the relative priority of our issues in our next report. This assessment will further inform our journey to improve reporting and expand disclosure.

“ THIS REPORT SERVES AS
A VALUABLE TOOL FOR ONGOING
ENGAGEMENT WITH INTERNAL AND
EXTERNAL STAKEHOLDERS. ”



STAKEHOLDER FEEDBACK

STAKEHOLDER FEEDBACK

Disclosure on Critical Issues

Stakeholders felt the issues covered in the 2011 report were the right priorities, but suggested adding more on gender diversity, human rights, product stewardship, chemical toxicity, the image of plastics, the use of renewable materials, biodiversity, and sustainable supply chain.

OUR RESPONSE

We added more content on gender diversity, human rights, product stewardship, safety, and sustainable supply chain where possible. We are also creating a plan to address these issues in more detail in future reports.

Performance Data

Stakeholders wanted the report to be more quantitative in order to better assess SABIC's performance on material issues. Specifically, stakeholders now expect to see more metrics on emissions saved through products, percentage of products that fall in the sustainability portfolio, energy per unit produced, etc.

We have included a number of new metrics and KPIs throughout the report related to diversity, health and safety, compliance, and community giving. We also have included a performance summary up-front. We are disclosing how many sustainability products have been qualified and will enhance our data collection in this area over time.

Collaboration

Partnerships with scientists, academics, suppliers, and customers were mentioned as essential to robust sustainability efforts needed to address global megatrends.

We highlight a number of collaborative efforts with customers, suppliers, and universities. This is an area of continued emphasis for us, and part of our SABIC 2025 strategy.

Innovation

Stakeholders wanted SABIC to discuss how innovation plays an important role in the company to enable it to meet its sustainability goals.

In this report we describe the many ways we are collaborating with research institutions globally to develop innovative processes and products that are more efficient and sustainable. We also highlight our new Home of Innovation initiative, and our new tools for integrating sustainability into our products and processes. (Refer to Spurring Sustainability.)

Forward Looking

Stakeholders wanted the 2012 report to be more strategic and forward-looking with respect to priorities and goals than the 2011 report.

We conducted a broad review of our sustainability strategy to align it with our business objectives. That strategy is described in this report. We also included forward-looking statements throughout the report that describe our plans to improve our performance and goals.

Stakeholder Engagement

Stakeholders commended SABIC for expanding its stakeholder engagement, and encouraged the company to continue to have dialogue with regional and global stakeholders (i.e., through a stakeholder-advisory panel) to better align its strategy with evolving stakeholder expectations.

We are committed to engaging with diverse stakeholders on an annual basis, not just on our reporting but on our broader sustainability strategy. In 2013 our Steering Committee will evaluate the possibility of establishing an advisory panel.

“ WE ARE COMMITTED
TO ENGAGING WITH DIVERSE
STAKEHOLDERS ON AN
ANNUAL BASIS. ”



OUR JOURNEY TOWARD IMPROVED REPORTING AND DISCLOSURE

2011	2012	BEYOND
<ul style="list-style-type: none">– Code of ethics– Health, wellness, safety, global outlook, equality and diversity, talent management– Transportation and logistics– Local economic and infrastructure development– Management and reduction of hazardous chemicals in products, sustainability solutions for customers, water use, energy use, GHG emissions, and materials use	<ul style="list-style-type: none">– Compliance, stakeholder engagement– Enhanced EHSS data– Supplier engagement on sustainability– Regional giving, giving by issue	<ul style="list-style-type: none">– Human rights– Chemical toxicity– Supplier assessments and evaluation on sustainability criteria– Strategic community giving– Sustainability product solutions, alternative fuels and feedstock– The image of plastics– Biodiversity



SPURRING SUSTAINABILITY



We recognize that the world of sustainability and the world of innovation are inextricably linked. For us, this means focusing on the products we produce within the context of improving our environmental performance. SABIC has now established a set of tools, which we are beginning to leverage in a very effective way at every stage in the innovation cycle. We're also establishing a technology-partnership network with leading academic institutions around the world to increase the potential for delivery on our innovation portfolio, to understand the latest ideas in our industry, and distinguish between which innovation signals are weak and which are strong. It's also linked to building the skillset of our employees. By setting up avenues to recruit young graduates and establishing opportunities for our own employees, we're building a solid foundation for growth so we can become an innovation leader.

Ernesto Occhiello

EVP, SABIC Technology and Innovation
Chief Sustainability Officer



Our business has a significant impact on the environment and communities in which we operate. In 2011, we highlighted SABIC's role in spurring sustainable growth in Saudi Arabia through responsible investments in our manufacturing complexes in Al-Jubail and Yanbu. This year, we highlight three key initiatives that demonstrate our ambition to strengthen our sustainability leadership and maximize our positive environmental, social, and economic impacts.

INVESTMENTS IN INNOVATION AND COLLABORATION

Innovation is a critical component of SABIC's success and our approach to sustainability. Over the past year, SABIC added 860 global patent applications in 2012, bringing our total to 8,882. We file, on average, 240 original patents per year, ahead of most other companies in our industry. SABIC's Technology and Innovation (T&I) function is focused on improving our manufacturing processes, accessing alternative feedstocks, developing new technologies and products that open up business possibilities, and seeking ways to bring our products to market efficiently. In 2012, we broke ground on our USD 100 million Technology Center in Shanghai, bringing our total to 18 Centers across the globe. These state-of-the-art facilities employ hundreds of scientists

who undertake fundamental and applied research in the fields of chemistry, material science, process engineering, analytical characterization, and application technology. In addition to our own T&I centers, we also recognize that innovation requires collaboration. We invest in strategic partnerships with universities all over the world, as indicated in the illustration on the following page.

Within KSA, we have a broad network of universities with strong science and technology programs. Through financial sponsorships with these universities we support the development of their faculty and young scientists as well as research into breakthrough technologies. These resources enable us to also build the knowledge of our own researchers and support their capacity to perform innovative research.

“ WE RECOGNIZE THAT THE WORLD OF SUSTAINABILITY AND THE WORLD OF INNOVATION ARE INEXTRICABLY LINKED. ”



We have also developed a network of top universities globally with which we have formed strategic partnerships.

Our investments in universities in 2012 totaled approximately USD nine million, and we see this as a critical way for us to contribute to higher education while supporting a core aspect of our business success – technology and innovation.

Our focus on innovation not only gives us a competitive edge, but also prepares us for long-term success in a resource-constrained world. And it enables our affiliates and customers to do the same.

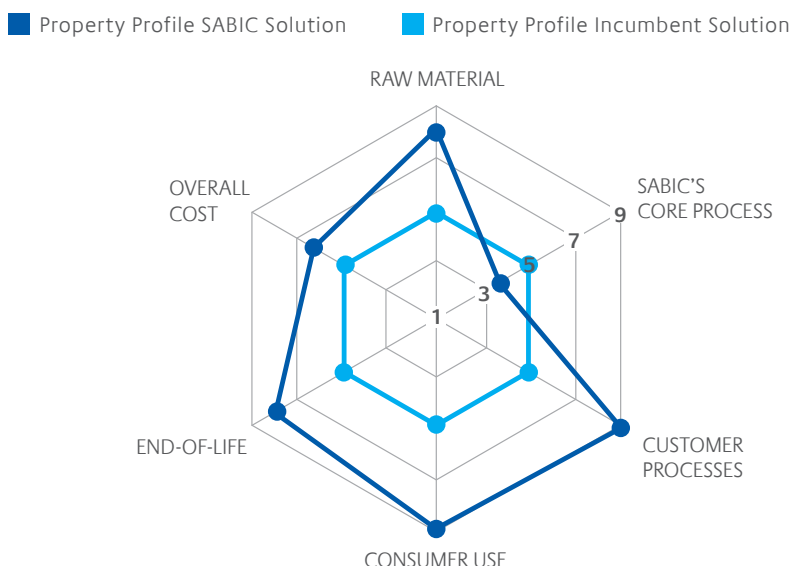
INTEGRATION OF SUSTAINABILITY INTO BUSINESS PROCESSES

Employee engagement with sustainability depends on making it a fundamental part of business processes. Therefore, SABIC is putting a focus on tools and processes that integrate sustainability into our critical business decision-making. In 2012, we implemented sustainability criteria into the management of our portfolio of technology programs, the evaluation of our “Mega Projects” – major business investments SABIC makes – and into the qualification of products that fit within a portfolio of recognized Sustainability features valued by our markets.

TECHNOLOGY PORTFOLIO MANAGEMENT

One of the most critical new process from our T&I function is the new web-based Sustainability Assessment Tool designed to integrate sustainability criteria into our technology project portfolio within each SBU. The process

SAMPLE OUTPUT FROM SUSTAINABILITY-ASSESSMENT TOOL



asks designers to consider the impact of a program from an environmental, social, and economic perspective. The tool also guides them to define the potentially positive and negative sustainability impacts of each technology, and then evaluates all new technologies against incumbent technologies on a cost and sustainability performance basis along the five stages of the value chain:

1. Raw-material use
2. SABIC's core processes
3. Customer processes
4. Customer use
5. End-of-life

A sustainability assessment is required at each stage of a new project, including novel “blue-sky” technologies with more than a five-year time horizon, new platforms with a medium-term development cycle, and new products and processes that improve on our existing portfolio. This provides our management team with complete visibility on products under development and their impact from a sustainability perspective, and it integrates sustainability into the way we operate from the beginning of the innovation process. In 2012, 500 projects within our program portfolio were evaluated using this screen.

OUR SUSTAINABILITY VISION AND STRATEGY

ENGINEERING AND PROJECT MANAGEMENT

Starting in 2012, SABIC's Engineering and Project Management (E&PM) process, which manages the company's investments in Mega Projects – long-term, large-scale investments such as facilities upgrades or construction of new plants – incorporates qualitative and quantitative assessments of the sustainability impact of each project. Through this process, project teams responsible for Mega Projects now complete a sustainability assessment that consists of four main elements:

1. Early stage assessment of environmental impact.
2. Evaluation of any technology that will be licensed from third parties for sustainability performance.
3. Guarantees from licensors on the footprint of their technology.
4. Integration of sustainability into design and construction of new plants.

SUSTAINABILITY PRODUCT QUALIFICATION PROCESS

Our customers' sustainability ambitions are continuously increasing, and developing Sustainability Products is one way that SABIC's sustainability journey can generate business value.

Our definition of a SABIC Sustainability Product is a product which provides beneficial sustainability features in the value chain that are measurably better than incumbent products, or one which has positive sustainability features that clearly outweigh any negative impacts.

The qualification process comprises three phases.

1. The first is the nomination phase, which is an initial assessment of the product's sustainability value proposition. This can include specific sustainability features such as post-consumer recycled content of the product, significantly lower energy, water, material, or greenhouse-gas footprint(s) in the product's manufacture or other environmental benefits.

2. If the product's initial sustainability value proposition is approved, the sustainability benefits and potential drawbacks are then quantified in the validation phase, and may require a Life Cycle Assessment (LCA) to be conducted.

3. In the final approval phase, SABIC's business leaders and the Corporate Sustainability Department review the results of the analysis and approve the product for inclusion in SABIC's portfolio of certified Sustainability Products.

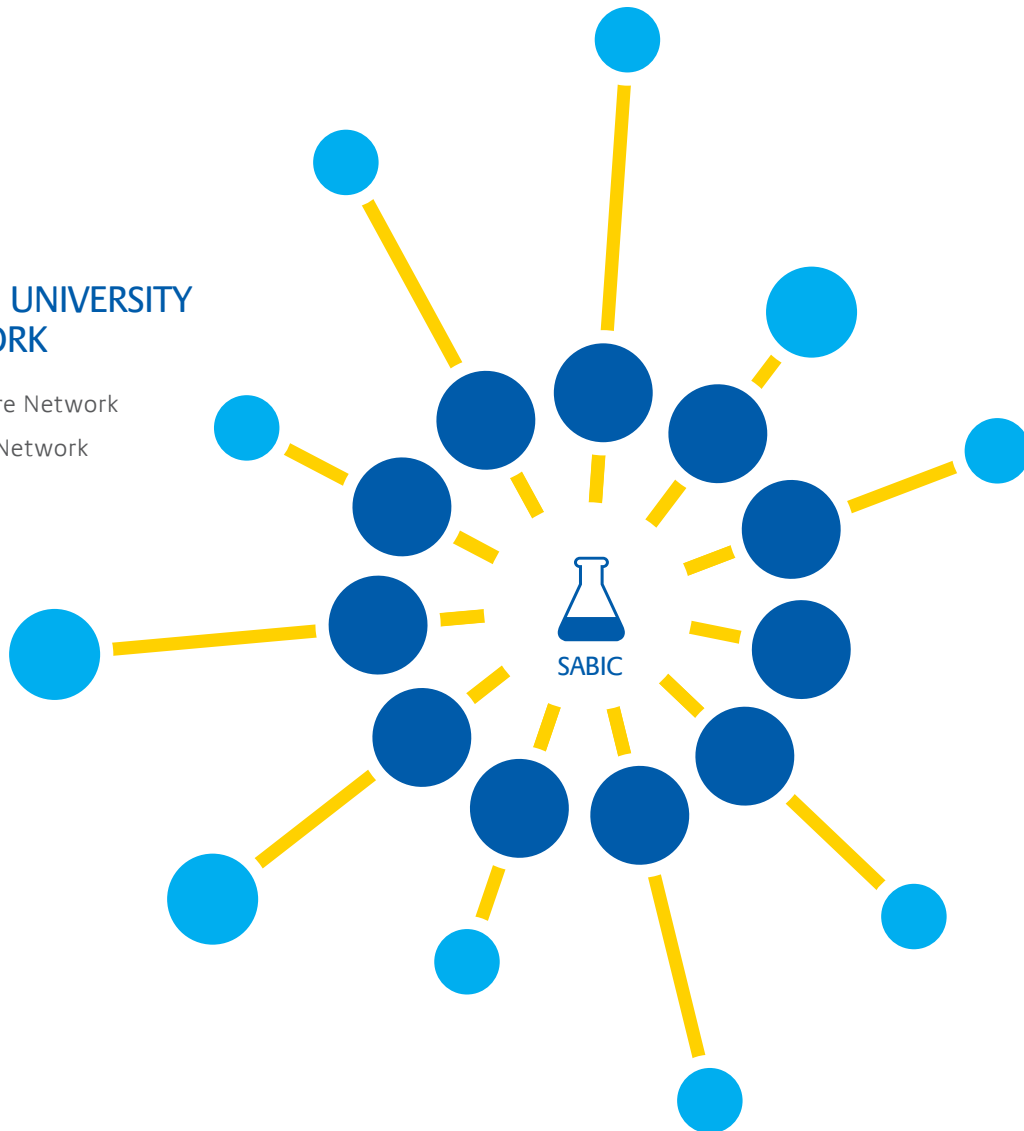
Each product in this portfolio is re-evaluated every two-three years to ensure it continues to meet the criteria for a Sustainability Product, given new developments and innovations in the marketplace.

“ OUR DEFINITION OF A SUSTAINABLE PRODUCT IS ONE THAT PROVIDES BENEFICIAL SUSTAINABILITY FEATURES IN THE VALUE CHAIN. ”



SABIC'S UNIVERSITY NETWORK

- KSA Core Network
- Global Network



SAUDI ARABIA (KSA) CORE NETWORK

Al-Qassim University (QU)
 Jazan University (JAZAN)
 King Abdullah University of Science & Technology (KAUST)
 King Abdulaziz University (KAU)
 King Fahd University of Petroleum & Minerals (KFUPM)
 King Faisal University (KFU)
 King Khalid University (KKU)
 King Saud University (KSU)
 Salman bin Abdulaziz University (SAU)
 Taif University (TAIF)
 Umm Al-Qura University (UQU)

GLOBAL NETWORK

University of Alberta (Canada)
 University of Cambridge (UK)
 University of Colorado (USA)
 Consiglio Nazionale delle Ricerche (Italy)
 Dalian Institute of Chemical Physics (China)
 Eidgenössische Technische Hochschule (Switzerland)
 Fraunhofer Gesellschaft (Germany)
 Massachusetts Institute of Technology (USA)
 Peking University (China)
 University of Toronto (Canada)

OUR SUSTAINABILITY VISION AND STRATEGY

“SIGNATURE INITIATIVES REPRESENT A FOCUSED ACTIVITY DESIGNED TO EXEMPLIFY OUR POSITIVE IMPACT ON THE ENVIRONMENTAL, SOCIAL, AND ECONOMIC NEEDS OF SOCIETY.”

CREATION OF SIGNATURE PROGRAMS: THE HOME OF INNOVATION™

SABIC aspires to create high-impact signature programs that bring together our focus on innovation and collaboration. These signature initiatives represent a focused activity that is designed to exemplify our positive impact on the environmental, social, and economic needs of society.

This year, we highlight the “Home of Innovation™,” an initiative which combines the fundamental need in KSA for downstream industry development with the concurrent need for energy conservation and housing. The Home of Innovation is a meeting place to bring together leading organizations interested in positively changing the region’s future.

The Home of Innovation™ will showcase innovative products that could be manufactured locally to create local employment and meet the needs of local consumers. It will help SABIC reach further downstream into its value chain to connect meaningfully with industry-leading companies and help them think about how their products can influence development in their respective regions. Our Home of Innovation facility, which opens in late 2014, is situated in the Techno-Valley at King Saud University in Riyadh. It will showcase best-in-class, commercially available products and technologies that optimize energy and water conservation. The Demonstration Home has been designed to generate surplus energy from rooftop solar panels and to enable smart-grid technology

to leverage renewable energy sources as they are integrated into the energy distribution infrastructure.

The Demonstration Home is being designed to achieve a net-zero energy balance, generating as much electricity as it uses in a 12-month period. The Collaboration Center is being designed to consume 40% less water and 30% less energy than comparably sized, conventionally built commercial structures in the region. Both facilities will also be LEED certified.

To achieve these high-performance standards in one of the harshest climates in the world could have local, regional, and global implications in the way homes and communities are built in the future. Collaboration with leading industry partners is critical to realizing the vision for the Home of Innovation. SABIC has identified a number of strategic partners, all of whom are highly respected, industry-leading companies that see the Middle East and North Africa region as a strategic,

long-term investment. SABIC will bring these companies together with other thought leaders, end-users, industry specifiers, convertors, investors, and government officials to innovate and conduct business locally.

Not only will this lead to more innovative products by facilitating the transfer of existing technology, systems, products, and material solutions, but it also will increase the region’s manufacturing capabilities, facilitate knowledge transfer to people locally, and support job growth. The Home of Innovation is the kind of initiative that we believe is necessary for the long-term success and sustainability of our business and of the region.



OUR SUSTAINABILITY VISION AND STRATEGY



LOOKING FORWARD

As global challenges, market conditions, and business priorities change, so will our sustainability efforts. We will continue to collaborate across the value chain on innovative products and solutions that are necessary to achieve leadership in sustainability.

We will continue to launch initiatives that will spur our progress forward.

CREATING ECONOMIC VALUE

“ EVERY ACTION WE
TAKE MUST CREATE VALUE FOR
OUR BUSINESS, OUR CUSTOMERS
AND SOCIETY TO BE TRULY
SUSTAINABLE. ”

02



OUR APPROACH

CREATING ECONOMIC VALUE

SABIC believes that our business plays an important role in creating and protecting economic value for our customers, stakeholders, and society at large.

Creating value for our customers means providing safe, reliable, and more sustainable products, and bringing them to market in the most efficient way possible. We embrace responsible stewardship for our products to minimize the potential for harm to the environment or to the well-being of those people who use them. We integrate sustainability criteria into product design, keeping the entire product lifecycle in mind. And we focus on responsible supply chain to ensure our products are delivered safely, securely, and sustainably, thus reducing our total value-chain impact.

Beyond creating economic value for our customers, we have a responsibility to generate and protect economic value for the societies in which we operate. As a Saudi company, we are committed to promoting greater economic diversification in KSA and the broader Middle East region. We attempt to achieve this through our regional leadership efforts on anti-corruption and Responsible Care®. Finally, we spur economic growth in all regions where we operate through strategic partnerships with leading research institutions and large capital investments in regional innovation centers located in high-growth markets.

These efforts are designed to create trust in SABIC, trust in our value-chain partners, and trust in our approach to responsible business.



Sustainability means making continuous improvements in the efficient use of scarce resources.

We are proud of the efficiency gains achieved at some of our sites in Europe in 2012, at a time when energy costs are increasing and greater attention is being paid to environmental responsibility. We will continue these efforts, because for us Sustainability and Economic Value Creation are one and the same.

Koos van Haasteren
Vice President, Europe



OUR PERFORMANCE

KEY FACTS



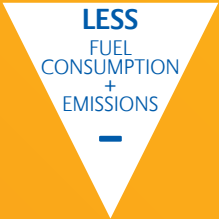
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PUBLISHED PRODUCT SAFETY
SUMMARIES FOR ALL PRODUCTS
PRODUCED BY THE INNOVATIVE
PLASTICS BUSINESS



RESPONSIBLE
CARE®

RC 14001®: 2008 CERTIFICATION
FOR OPERATIONS IN SAUDI ARABIA



BECAME A MEMBER OF THE
WORLD ECONOMIC FORUM
AND THE PARTNERING AGAINST
CORRUPTION INITIATIVE



31

PRODUCTS QUALIFIED AS
SUSTAINABILITY SOLUTIONS

RAIL MODAL
SHIFT INITIATIVE

PRODUCT SAFETY COMES STANDARD

Product Safety for the chemical industry is one of the biggest expectations of our customers and society as a whole. A robust product-safety emphasis creates economic value and helps customers navigate through an increasing complex regulatory environment. For SABIC, product stewardship is a vital tool to minimize risks, ensure regulatory compliance, and demonstrate safety leadership.

In 2012, we initiated the development of a 10-year Product Stewardship strategy, which includes developing new KPIs and metrics, ensuring chemical risk assessments are integrated into business processes, strengthening product stewardship talent, skills, and expertise within SABIC, and communicating a well-defined message to help our stakeholders understand the safety of our products. Through robust governance, regional and industry leadership, customer engagement, and employee training, we made significant improvements in 2012.

Specifically, we completed a number of compliance projects for global regulatory authorities, including:

- The United States EPA Endocrine Disruptor Screening Program (EDSP), a program for the screening of pesticides and chemicals for their potential effects on human and environmental health.

- The United States EPA Chemical Data Reporting for all medium- and high-volume chemicals used and sold by SABIC.
- The submission of registration dossiers for EU REACH well before the next milestone of June 2013.
- The Korean Global Harmonized System of Classification and Labeling implementation through our SBUs and respective global supply chains.

Beyond compliance, SABIC has been celebrated for leadership in product stewardship in the following areas:

- Recognized as the first multinational company to voluntarily participate in China's Restriction of Hazardous Substances (RoHS) directive.
- Published Product Safety Summaries for all products produced by the Innovative Plastics business.
- Participated in the development of the next generation Responsible Care® Product Safety code.
- Published SABIC product-safety data sheets in Arabic, unique among our regional peers.
- Enhanced global emergency response coverage in terms of languages and capabilities.

We are witnessing a steady increase in the number of customer inquiries focusing on product compliance and safety, indicating an increased awareness of and interest in health and safety issues in the value chain. To respond to inquiries from customers

and prepare for new regulatory developments, we are hosting a series of educational webinars for customers about subjects such as changes in food contact regulation in Europe.

SABIC is one of the first producers of plastic for the European food industry to have all of our food contact declarations updated in line with changes to EU regulations on packaged food safety. Our customers in the food packaging industry who use polyethylenes and polypropylenes can now access SABIC's new food and safety compliance declarations.

SABIC has retested all of our materials to make sure they are compliant with the new regulations, and we now provide hundreds of food-contact declarations concerning our European polymers portfolio as an important service to our customers.

Finally, SABIC intends to introduce a measurement system during 2013 to track and confirm closure of product compliance incidents.

“PRODUCT SAFETY FOR THE CHEMICAL INDUSTRY IS ONE OF THE BIGGEST EXPECTATIONS OF OUR CUSTOMERS AND SOCIETY AS A WHOLE.”



“CREATING VALUE FOR OUR CUSTOMERS MEANS PROVIDING SAFE, RELIABLE AND MORE SUSTAINABLE PRODUCTS.”

SUSTAINABILITY ACROSS THE ENTIRE VALUE CHAIN

We believe that the integration of sustainability and innovation into our thinking about the product lifecycle, from selection of raw materials, to design and manufacturing, and finally product use and end-of-life, is core to our responsibility and our competitive edge.

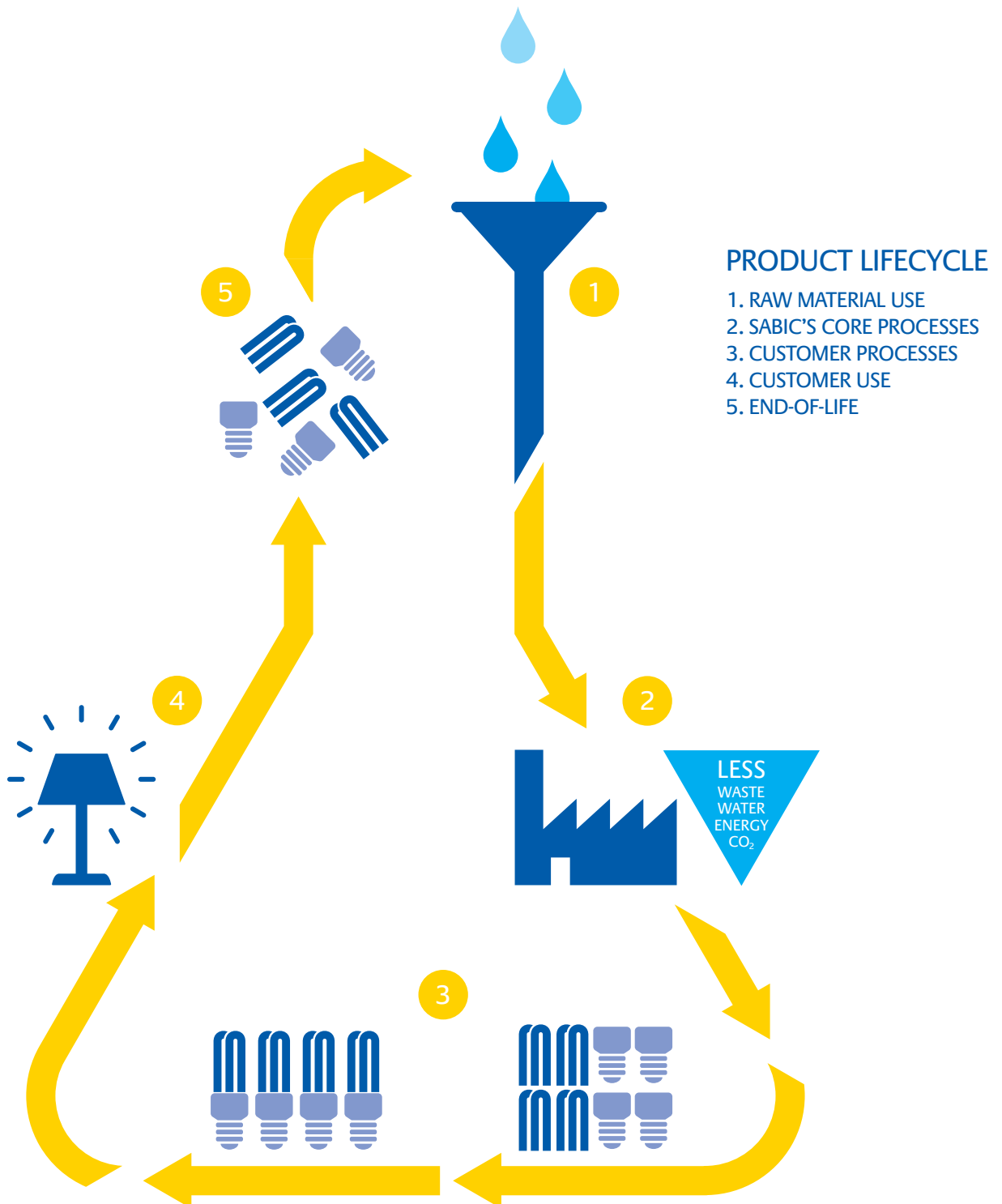
Customers are increasingly requesting products that enhance their sustainability efforts, and SABIC is eager to support our customers in this way. Our goal is to enable our customers to offer more economic value in their products, and meet their own sustainability objectives.

To achieve this goal, we are focusing our efforts on five stages of the value chain as shown on next page: reducing the non-renewable energy and material inputs to our processes, reducing the environmental footprint of our manufacturing and distribution processes, developing solutions to enable our customers to reduce their footprint, developing solutions to reduce the consumer's and society's footprint while using our products, and designing product and process solutions to close the lifecycle through recovery of material and energy value.

Working together with our downstream partners, we are developing a broad array of high-performance products across multiple market segments that demonstrate how we are innovating at various stages in the lifecycle. Our Innovative Plastics business has already qualified 25 product families as Sustainability Products, and our Polymers business has qualified six products.



“ THE PRODUCT LIFECYCLE, FROM SELECTION OF RAW MATERIALS, TO DESIGN AND MANUFACTURING, AND FINALLY PRODUCT USE AND END-OF-LIFE, IS CORE TO OUR RESPONSIBILITY AND OUR COMPETITIVE EDGE. ”



CREATING ECONOMIC VALUE

1. CONSUMER PACKAGING (RAW MATERIAL USE)

SABIC has developed new high-density polyethylene (HDPE) resins for application in milk-bottle production. The resins' high thermal stability allows for the inclusion of post-consumer recycled HDPE materials at levels not previously achievable. In this way, fewer non-renewable resources are needed to deliver milk to the end consumer. The new solution is a key component in the production of light-weight milk containers that do not affect food taste or smell.

We received the Responsible Care® Energy Award from the Association of the Dutch Chemical Industry (VNCI) for our efforts to develop consumer packaging materials that consume less energy and yield less carbon dioxide than traditional resins through the entire manufacturing process.



2. HEALTHCARE (SABIC'S CORE PROCESSES)

Good healthcare systems are of critical importance for the further development of emerging economies. SABIC has created innovative plastic materials used in such systems. For example, SABIC developed a new polypropylene (PP) polymer targeted for application in nonwoven fabrics. An indispensable component in hygienic products, such nonwoven fabrics can be used in diapers, bandages and wound dressings, surgical gowns, and medical scrub suits and caps, among other products. The new solution allows for the manufacture of thinner filaments to produce the same area of fabric with less PP, thereby saving non-renewable resources and eventually reducing waste quantities. Additionally, a significant benefit in the polymer conversion process is realized as the filaments can be produced at temperatures 10–15°C lower than average manufacturing temperatures, thereby reducing energy consumption in the conversion stage.



3. INFRASTRUCTURE (CUSTOMER PROCESSES)

SABIC strives to play a leading role in the application of HDPE in water-pipe systems. Recently SABIC has developed resins for pipes that are an excellent alternative for existing ductile iron pipes. The plastic alternative exhibits a markedly lower greenhouse gas emission per unit-length of pipe in the manufacturing phase. As a next step, SABIC has developed enhanced resins that have an extremely high scratch resistance to allow for a technique of pipe installation called "pulling." This technique avoids disruptive trench digging and saves resources during installation. Additionally, plastic pipe systems are broadly recognized for their durability and low risk for leakages during their operational lifetime.

“OUR GOAL IS TO ENABLE OUR CUSTOMERS TO OFFER MORE ECONOMIC VALUE IN THEIR PRODUCTS AND MEET THEIR OWN SUSTAINABILITY OBJECTIVES.”



4. AUTOMOTIVE (CUSTOMER USE)

Decreasing the weight of cars lowers the energy required for transport, thereby lowering both greenhouse-gas emissions as well as costs for the end user. In 2012, SABIC created alternative solutions for glass windows, which are one of the heaviest components of automobiles and a key area for improving sustainability impacts.

For instance, the Citroën DS5 hatchback from PSA Peugeot Citroën Group uses LEXAN™ GLX polycarbonate (PC) resin for its rear quarter window glazing. The glazing enables an elegant three-dimensional design and a 20% weight saving versus glass.

During 2012, SABIC's thermoplastic materials were also used in Ford Focus Electric's high-voltage battery pack, molded from our NORYL™ GFN resin. This resin helps give the new Ford electric vehicle extended driving range, greater battery capacity, and lighter weight than traditional materials.

Automobile fenders are an additional area of innovation for SABIC. For the

past 25 years, SABIC has been developing thermoplastic fenders with Renault S.A. In early 2013, we were pleased to announce that Renault had successfully adopted a new post-industrial recycled (PIR) grade of SABIC's NORYL GTX™ resin for the fenders of its 2013 Clio IV and will expand the resin's use to the upcoming ZOE electric vehicle. The PIR grade meets quality and performance standards and further enhances the sustainability benefits of NORYL GTX resin for automotive fenders, which include a weight reduction and up to 47% lower greenhouse-gas emissions over the lifecycle of the fender compared to steel.



5. ELECTRONICS (END-OF-LIFE)

SABIC is reaching further down the value chain to work closely with customers and end users on post-use recycling. There is tremendous value in finding new applications for used product materials, and we reduce the material intensity of our customers' products by pushing toward a closed loop lifecycle.

SABIC collaborated with Canon to incorporate more recycled content in its printers and copiers. SABIC's recycling initiative helps convert parts of used copiers into raw materials that are then reused in ink-jet printers. The most recent generation, the NORYL GN390 resin, was launched in 2012 to help Canon become registered with EPEAT, the Electronic Product Environmental Assessment Tool. Canon's High Impact Polystyrene (HIPS), collected from returned copier machines, is converted to SABIC's NORYL GN resin which is then used in the manufacture of new products and fulfills green procurement standards. The system helps Canon use fewer resources to manufacture their printers and to create value out of post-use materials as well.

SABIC also collaborated with Canon Electronics, a subsidiary of Canon, by introducing high-performance XENOY iQ™ ENH resin with up-cycled post-consumer recycled (PCR) content to Canon Electronics' high-speed document scanner, the new image FORMULA DR-M160. The new material helps Canon Electronics reduce its environmental impact through resource conservation and lower material intensity.

CREATING ECONOMIC VALUE

“ENSURING THE SAFETY AND EFFICIENCY OF OUR LOGISTICS AND TRANSPORTATION SYSTEMS IS A CRITICAL COMPONENT OF A SUSTAINABLE SUPPLY CHAIN.”

RESPONSIBLE SUPPLY CHAIN

The nature of our business requires us to ship products – and sometimes hazardous materials – over long distances. Ensuring the safety and efficiency of our logistics and transportation systems is a critical component of a sustainable supply chain.

The transportation operations discussed in this section are considered as Scope 3 for GHG reporting, and the noted emissions are not included in the current footprint boundary for this report.

In 2012, we continued our efforts to make our global supply chain safer and more secure and sustainable, decreasing road-transportation emissions and enabling more efficient use of marine transportation. We have adopted new driving practices and introduced new equipment to realize fuel savings. We have also optimized our truck routes. For example, our current truck route from our Jubail facility to the Dammam Port is 140 km. We will adjust the travel route instead to the Jubail Commercial Port, only a 12 km distance.

Similarly, our 320 km truck route from our Yanbu site to the Jeddah Port will be replaced by a seven km route to the Yanbu Port. Both improvements will see significant reductions in fuel consumption by 2016.

As part of our vessel-optimization program (and in anticipation of a European Union directive to drastically reduce sulphur emissions from vessels operating in the North Sea by 2015), SABIC has commissioned the construction of two sea-going gas tankers powered by liquefied natural gas (LNG) to transport our olefins products. The tankers will transport these products from a major plant in Teesside, England, to ports in Europe. SABIC is the first chemical company in the world to order gas carriers running on LNG.

These shipping investments make sense from both an environmental and economic perspective. Ships powered by LNG produce no sulphur emissions. In addition, carbon-dioxide emissions are up to 20% lower than with fuel oil, and NO_x emissions are almost 90% lower.

Finally, we are reducing our reliance on trucks and switching to rail or pipeline to increase the safety of our supply chain and reduce emissions. The East-West rail link in Saudi Arabia will replace 200,000 truck shipments per year from our Metals SBU with 2,700 train shipments, improving fuel efficiency by 47% on a per ton-km basis. A SABIC joint venture in China, Sinopec SABIC Tianjin Petrochemical Company, currently makes roughly 13,000 truck shipments per year to transport products from our plant there to a port 40 km away on congested public roads. By shifting our supply chain to a pipeline, we will reduce our emissions by 1,670 metric tons (MT) CO₂ equivalent (eq) per year, reduce traffic congestion, and increase the safety of our employees and other drivers.

In recognition of our efforts to make our supply chain secure and safe, our North America sites in Ottawa, Bay St. Louis, Burkville, and Mount Vernon received the 2011 CSX Chemical Safety Excellence Award from CSX Transportation. This award celebrated our safe shipments of more than 600 carloads of hazardous materials.



CREATING ECONOMIC VALUE

CASE STUDY



SANDEEP DHAWAN – PRODUCT AND PROCESS INNOVATION



I have spent my career in industry helping to drive product and process innovation. This has given me the opportunity to see how innovation can benefit the environment, our business, and society. To me, sustainability is not separate from the rest of the business; it has real implications for how we innovate, how we engage with our customers, and how we manage our cost structure. In a sense, sustainability is in everything we do.

My colleagues at SABIC and I recently took a close look at our logistics policies and shipment data for the Specialty Film & Sheet product line. We found inefficiencies and waste that were affecting both our customers and our business. Through collaboration with our customers, logistics costs and transportation emissions were reduced 7% and material wastes were also reduced.

This is an example of how better business practices can drive sustainability improvements and value-chain collaboration. In a similar fashion, we examined our inventory practices and found many opportunities to reduce needless waste by 40% through innovative thinking. These reductions in waste are especially important with high-performance finished products like ours, where significant energy, labor, and resources have been invested.

Sustainability has also become a part of my personal life. I have coached my two sons to participate in science fairs and they selected projects related to global warming and harnessing waste energy. I can proudly say that both of my sons received recognition for their work, one with an award from the American Meteorological Society and the other with a Grand Prize at the state competition level.

I learned that sustainability must be both a professional and a personal passion. I am excited to see how innovative thinking can yield gratifying results.

Sandeep Dhawan
GM Americas, Specialty Film & Sheet



WORKING TOGETHER NATURALLY

We know that accelerating the progress on protecting natural capital requires partnership and collaboration up and down the value chain. This includes increasing engagement with our suppliers – a critical component of our sustainability story – and with non-industry organizations that provide us with the network and best practices to be successful.

INCREASING COLLABORATION WITH SUPPLIERS

To ensure that our suppliers are aligned with our own sustainability goals and to help them establish and achieve their own targets, in 2012 we held a supplier sustainability summit in Bergen op Zoom, Netherlands. More than 65 suppliers of raw materials and technical and facilities goods and services gathered for the day-long event to exchange ideas and explore ways of sustainably growing their business with SABIC. The event provided suppliers with an excellent opportunity to achieve a deeper understanding of our organization and sustainability goals. It also enabled them to strengthen their relationships with our company.

Topics covered included:

- SABIC's approach to sustainability.
- Procurement requirements.
- Expectations of suppliers in view of Europe's economic situation.
- Building and securing a common sustainable future together.
- Strengthening long-term partnerships with suppliers for mutual growth.

Round-table meetings also gave suppliers and SABIC employees the chance to engage in interactive discussions on how to improve SABIC's sustainability and market position.

Based on positive feedback from the forum, SABIC will explore more supplier engagements during 2013.



“ACCELERATING THE PROGRESS ON PROTECTING NATURAL CAPITAL REQUIRES PARTNERSHIP AND COLLABORATION.”



ACTIVELY WORKING WITH NON-INDUSTRY ORGANIZATIONS TO PROMOTE SUSTAINABILITY

Since 2010, SABIC has been developing Clean Development Mechanism (CDM) projects under the UN administered emissions-reduction scheme, from the Kyoto Protocol, that generate Certified Reduction Units. In 2012, we continued building our CDM capacity. Specifically, we:

- Created a CDM Team to manage our projects and develop new ideas.
- Obtained preliminary approval for four energy-efficiency CDM projects from the Saudi Designated National Authority, which is responsible for CDMs in the Kingdom.
- Initiated independent verification for one of these four projects as required by the United Nations.
- Initiated feasibility studies for eight new projects.

We are working closely with the Saudi Government's Saudi Energy Efficiency Center (SEEC) to establish ground rules for industrial energy consumption in KSA. Our thought partnership with SEEC will help promote more energy efficient operations in the region and will enhance the long-term sustainability of our business.

We also are members of a number of international organizations and industry groups – including the World Economic Forum's Industry Partnership for Chemicals, Plastics Europe, the World Business Council for Sustainable Development and the International

Congress of Chemical Associations (ICCA) – working to develop more accurate guidelines and indicators to measure industry environmental impacts.

As part of our involvement with the International Council of Chemical Associations (ICCA), in 2012 SABIC participated, along with other industry members, in an ICCA-led team to clean up a chemical industry legacy plant in Gorlovka, Ukraine.

Working with representatives from other ICCA members and with input from a multi-stakeholder group including NGOs and government partners, SABIC's process-safety expert helped to develop a safety and remediation plan for this former state-owned and operated chemical plant located in a town of 200,000 residents. Clean-up activities at the Gorlovka site commenced in early 2013.

SABIC's participation in international organizations and forums positions us to be a partner of choice with our customers and other leading companies and organizations. In 2012, we attended the Qatar Sustainability Expo, which coincided with the United Nations Framework Convention on Climate Change in Doha. SABIC contributed to the Saudi Arabia pavilion at the Doha Exhibition Center by demonstrating how Saudi Arabia is engaged actively with carbon management and value-chain resilience along with six other Saudi Arabian businesses and organizations.

Mohamed Al Mady, SABIC CEO and Vice Chairman, was the key participant in a panel discussion at the Doha Business

Day event on the role of the Middle East in promoting sustainability.

SABIC also attended Rio+20 and participated in a side event called Business Action for Sustainable Development (BASD). Convened by the International Chamber of Commerce (ICC), the World Business Council for Sustainable Development (WBCSD), and the United Nations Global Compact (UNGC), BASD 2012 provided a platform for companies like SABIC to demonstrate the positive potential that substantive engagement with business has in addressing sustainability challenges.



GLOBAL ADVANCEMENTS

FIGHTING CORRUPTION

Corruption is a major obstacle to economic stability, growth, and competitiveness. SABIC is committed to fighting corruption globally through both internal and external efforts. The goal of these efforts is to operate with the highest ethical standards and to set an example for others to do the same.

SABIC has a comprehensive set of internal anti-corruption guidelines that prohibit all forms of bribery and facilitation payments in both the public and private sectors.

Additionally, it is our belief that companies should join forces with governments and other stakeholders to prevent and fight corruption. SABIC is a member of the Business 20 (B20) Task Force on Improving Transparency and Anti-Corruption, a group that fosters dialogue between businesses and the governments of the world's 20 largest economies (G20).

Recently, SABIC became a member of the World Economic Forum's Partnering Against Corruption Initiative (PACI). PACI is a global, multi-stakeholder anti-corruption initiative that was established to raise business standards and to contribute to a competitive, transparent, accountable, and ethical business society. The initiative requires its member companies to adopt a zero-tolerance policy toward bribery and corruption, as well as an internal anti-corruption program.

We also conducted a series of anti-fraud and anti-corruption awareness sessions for our employees in Riyadh, Jubail, and Yanbu, as well as other locations globally. These sessions helped to develop the necessary knowledge and skills to recognize and combat fraud across the organization and to safeguard the organization's assets. More than 320 stakeholders across our three sites in the Kingdom participated. Globally, more than 4,000 employees across all of our sites were trained on anti-corruption in 2012.

We view the Middle East in particular as an area in which we can have considerable impact due to our significant local presence. SABIC is committed to sharing knowledge with other companies to make anti-corruption practices a truly sustainable effort. We participate in regional forums designed to share our compliance strategies. SABIC will continue to lead on this issue in the Middle East and globally as we see a clear link between anti-corruption efforts and value-creation for our business and stakeholders.

STRIVING TOWARDS RESPONSIBLE CARE®

Responsible Care® is the chemical industry's global initiative to continuously improve health, safety, and environmental performance. SABIC is implementing Responsible Care® across all of our regions to ensure that our manufacturing processes and products are safe for our stakeholders and for the environment.

To reinforce our commitment to lead beyond compliance, our CEO and Vice Chairman, Mohamed Al-Mady, again signed the "CEO Declaration of Support for the Responsible Care® Global Charter," thus reaffirming the company's commitment to its Responsible Care® activities. Mohamed Al Mady also provided strong regional leadership to Middle East companies through the Gulf Petrochemical and Chemical Association (GPCA) to encourage wide commitment to and compliance with Responsible Care® principles and requirements.

As evidence of our progress in this area, SABIC operations in Saudi Arabia received RC14001:2008 certification, the first-ever multisite certificate issued globally. SABIC's Innovative Plastics business received six Responsible Care® Energy Efficiency Awards, including two for accomplishments at its Washington, West Virginia manufacturing facility.

“ AS A GLOBAL ORGANIZATION
WITH DIVERSE OPERATIONS, WE SEE
TREMENDOUS VALUE IN SHARING OUR
SUSTAINABILITY EFFORTS. ”



SABIC's Innovative Plastics business recently achieved RC14001 certification under the Responsible Care® program for its headquarters in Pittsfield, Massachusetts and six manufacturing sites in Bay St. Louis, Missouri; Burkville, Alabama; Mount Vernon, Indiana; Ottawa, Illinois; Selkirk, New York; and Washington, West Virginia.

SHARING BEST PRACTICES GLOBALLY

As a global organization with diverse operations, we see tremendous value in sharing our sustainability efforts across different sites. To do this, we facilitate regular forums through which SABIC leaders can share best practices.

The Manufacturing Center of Excellence (MCE) team, which reports to the EVP of Manufacturing, has an integration function that links global affiliates within SABIC. The Center's vision is to achieve excellence in manufacturing based on world-class performance on EHSS, enhanced reliability and cost management through optimized utilization of assets, and knowledge-sharing. An illustration of leveraging the linkages and skills of the MCE team is the measurement of the environmental footprint of SABIC. The connectivity and accountability of MCE across the entire global organization enabled SABIC to develop a robust data-collection and analysis process for our environmental footprint. Our continuous improvement of that process has been recognized by 3rd-party verification and assurance.



CREATING ECONOMIC VALUE



PARTNERING FOR INNOVATION

SABIC creates value for society and our company by fostering collaboration and sharing specialized knowledge and technology with our partners. Our partnership approach can be seen through our Green Chemistry Campus in Bergen op Zoom, the Netherlands. Our vision is for the Green Chemistry Campus to be a driving force for open chemistry collaboration as it relates to bio-based sustainability innovations. We have designed an environment where large and small companies, knowledge institutes, and public authorities work together in an open innovation structure to develop new products and technologies.

When we opened the Campus, we had just two tenants developing green chemistry solutions. As of the end of 2012, we had 12 tenants and a healthy pipeline of potential participants. Today SABIC truly is enabling innovation between large companies and small-scale entrepreneurs as well as governments and regional authorities.

The Green Chemistry Campus tenants are vital entrepreneurial partners who help us to advance innovative R&D around plastics recycling, natural fiber-enhanced plastics, and other bio-based material.



CREATING ECONOMIC VALUE

“ TO CREATE ECONOMIC VALUE WE WILL SEEK OPPORTUNITIES TO DEEPEN PARTNERSHIPS WITH OUR STAKEHOLDERS. ”



LOOKING FORWARD

SABIC is taking steps to generate more value for our customers and society. Our ongoing anti-corruption efforts will continue to be an integral part of our regional and global leadership platform and value proposition. We will also continue to create economic value by stewarding our products further in their lifecycles, challenging our suppliers and logistics providers to join us on our sustainability journey. We will seek opportunities to deepen partnerships with our stakeholders.

Lifecycle thinking will be increasingly integrated into the way we do business, from product design to use and recycling. Designing our products to be even more durable and energy-efficient will help our customers waste less and achieve cost savings.

During the use and end-of-life phases of the lifecycle, we will continue to work with our customers and end users to reclaim discarded products for post-consumer recycled content in our resins and materials.

We are investing in a variety of specific areas to develop new practical innovations for the company's processes to meet important global needs. These include unconventional feedstocks like biomass/CO₂ and energy and functional materials.

Investing in innovative solutions, such as functional materials and nanotechnology, will allow SABIC to meet global demands in many societal areas. Specific fields of interest include composites, which have applications in the automotive and aerospace industry. We also have a strong interest in solar technology solutions.

The work undertaken by our researchers and developers has a significant impact on people's lives.

In 2013, we aim to qualify some 10 more sustainability solutions in the Polymers and Innovative Plastics business, and to continue to expand our portfolio of Sustainability Products in the years ahead.

Our supply-chain work in 2013 and beyond will yield significant benefits on energy intensity. We aim to increase fuel efficiency in our supply chain by approximately 0.7 million barrels of oil equivalent (MBOE) by 2016. We expect to accomplish this through initiatives such as the rail modal-shift initiative in Saudi Arabia (reducing up to 200,000 truck shipments); our plant-to-port transportation initiative to optimize our logistics routes; and a hauler fuel-savings program, during which we will implement efficient driving practices and new, low-resistance-vehicle technologies.

PROTECTING NATURAL CAPITAL

“WE ARE INFUSING THE CONCEPT OF A CIRCULAR ECONOMY WHEREBY WASTE AND OTHER BY-PRODUCTS GENERATED THROUGH MANUFACTURING BECOME VALUABLE INPUTS INTO THE PRODUCTION PROCESS.”

03



OUR APPROACH

“ THE MOST VALUABLE
CARBON MOLECULE IS THE ONE
THAT WE DON'T USE. ”

PROTECTING NATURAL CAPITAL

Amid increasing risks from climate change and resource scarcity, our business is challenged to grow while minimizing our environmental footprint. As a company that relies heavily on hydrocarbon feedstock for both the base raw material and the primary energy source of our production processes, we are acutely aware of our own footprint and the need to concentrate on devising more efficient processes to reduce our environmental burden, including GHG emissions.

Our chemical-production processes are primarily based on non-renewable resources that warrant responsible resource stewardship. In our quest to minimize our impacts, we are reducing material losses from our processes and infusing the concept of a circular economy whereby waste and other by-products generated through manufacturing become valuable inputs into the production process. We also operate manufacturing facilities in water-stressed regions – with our largest operations in the Middle East – and are cognizant of the need to use fresh water judiciously.



Saudi Arabia is blessed with enormous potential to develop renewable energy and it is an imperative of the government to develop various forms of renewable energy. SABIC is a partner with the government in this development and looks forward to the tremendous impact that renewable energy can have on the environmental footprint of our business and region.

Talaat Al-Dafer, Ph.D
Regional Vice President,
Middle East and Africa

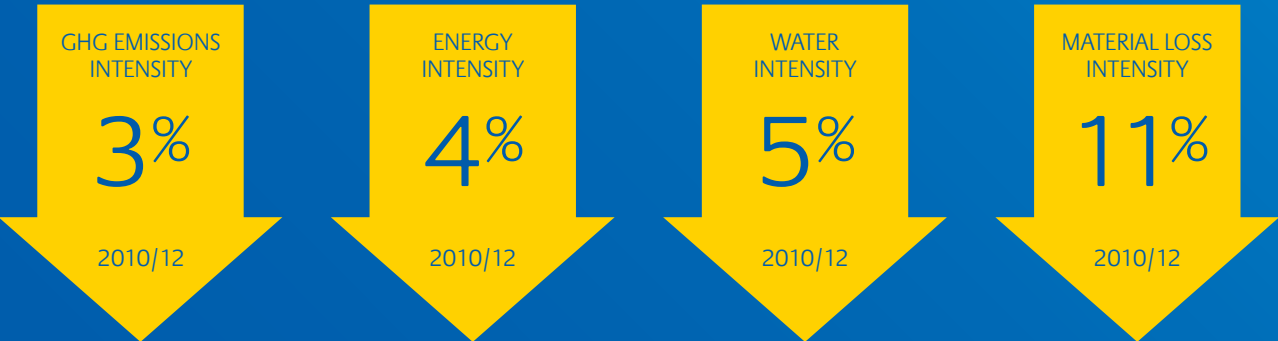


Protecting our natural capital is about being a world-class business that manages all of its resources wisely. We realize that our environmental impact goes beyond the boundaries of our company. Given the large geographic reach of our organization, we believe that it is important to set robust internal performance targets to manage the environmental performance of our operations.

That's why we are increasingly active in international dialogue on sustainability topics such as climate change. It is also why we are working to understand and manage our impacts both within our own operations and also throughout our product value chain.

OUR PERFORMANCE

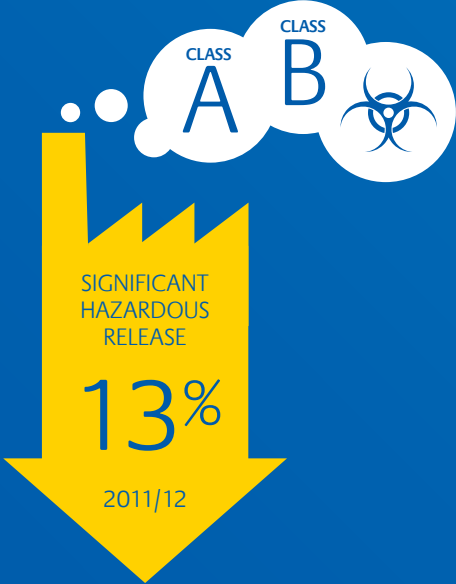
KEY FACTS



% REDUCTIONS SINCE BASE YEAR



HELD A SUSTAINABILITY SUMMIT
WITH OVER 65 KEY SUPPLIERS



REDUCED VOLUME OF SIGNIFICANT
HAZARDOUS RELEASES BY 13% FROM
2011 TO 2012

TAKING STEPS TO REDUCE OUR FOOTPRINT

In 2012, SABIC's performance against our intensity-based environmental KPIs was essentially flat compared to 2011. We executed multiple projects in all of our regions to keep absolute impacts essentially constant while increasing product sales, which led to slight improvement in our performance since our 2010 base year.

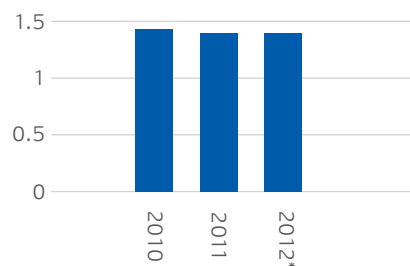
We track direct and indirect GHG emissions for our manufacturing facilities worldwide using the GHG Protocol, developed by the World Resources Institute and WBCSD. This protocol is the most widely used international accounting tool to understand, quantify, and manage GHG emissions. We also follow the WBCSD Chemical Sector Value Chain GHG reporting and accounting guidance and the Petroleum Industry Guidelines for Reporting GHG Emissions published by API/IPIECA/OGP. Internal Corporate and Manufacturing Reporting protocols document how we implement these measurement and reporting guidelines.

Our total absolute GHG emissions in 2012 were 59 million MT CO₂ eq*, using the financial control boundary, compared to the base-year emissions of 59 million MT CO₂ eq. Our total energy use in 2012 was 779 million GJ*, compared to base-year usage of 780 million GJ.

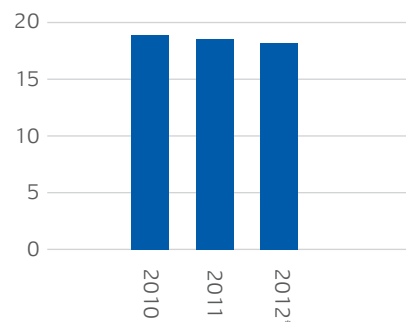
To the right, we've included our footprint data for 2012, and for the preceding two years. Historical footprint data have been adjusted in this report to correct for accounting errors.

As noted in the Scope and Boundary section of this report, sustainability reporting is aligned with our financial consolidation. Many of the sites that SABIC operates and controls are owned in conjunction with other business partners. Therefore, to provide stakeholders a view of this impact, we are additionally communicating that our absolute GHG footprint calculated based on an equity-share boundary was 41 million MT CO₂ eq for 2012, which is the same as in the base year of 2010. SABIC's share of our equity-based footprint for the other KPIs is also approximately two thirds of each absolute value included in this report.

GHG INTENSITY
(MT CO₂ eq/MT PRODUCT SALES)



ENERGY INTENSITY
(GJ/MT PRODUCT SALES)



* Within KPMG assurance scope

“ WE EXECUTED MULTIPLE
PROJECTS IN ALL OF OUR REGIONS
TO KEEP ABSOLUTE EMISSIONS
ESSENTIALLY FLAT WHILE INCREASING
PRODUCT SALES. ”



PROTECTING NATURAL CAPITAL

SABIC combines emissions of relevant HFCs, PFCs and SF₆ into one category called fluorinated gases. Gases that are included in the Montreal Protocol are not included in this category. As indicated in the table, even when combined, these account for less than 1% of our emissions. Emissions for other gases included in the Kyoto Protocol are provided.

In the table, Scope 1 includes emissions directly from SABIC's operations and Scope 2 includes emissions associated with production of energy that SABIC purchases from sources outside our operations, such as purchased electricity and steam.

In 2012, our GHG and energy intensities were essentially the same as compared to 2011 and also to the 2010 base year. GHG and energy-reduction efforts continued to focus on a combination of energy-conservation actions and capital projects aimed at securing the greatest environmental and financial returns on investment. More specifically, we made several improvements, including strides in steam-system optimization, process controls, maintenance, operational fuel shifts, venting and flaring, and plant and equipment upgrades.

SABIC's Innovative Plastics business was recognized by the American Chemistry Council (ACC) for its efforts to improve energy efficiency at five manufacturing locations. The combined energy savings of the recognized programs could power more than 12,000 average American homes for a year. The emissions-reduction savings are equivalent to removing nearly 5,100 cars from the road.

The business took home six Responsible Care® Energy Efficiency Awards, including two for its Washington, West Virginia manufacturing facility. This accomplishment marks the third consecutive year in which SABIC's sustainability initiatives have been honored by the ACC.



“ WE MADE SEVERAL IMPROVEMENTS, INCLUDING STRIDES IN STEAM-SYSTEM OPTIMIZATION, PROCESS CONTROLS, MAINTENANCE, OPERATIONAL FUEL SHIFTS, VENTING AND FLARING, AND PLANT AND EQUIPMENT UPGRADES. ”



Our ambition is to reduce both our GHG and energy intensity by 25% compared to 2010 levels by 2025.

To reach these goals, we are working on completing more impactful projects, such as constructing a stand-alone urea plant to convert carbon dioxide that is currently vented into valuable fertilizer. Production in this facility is scheduled to begin in 2014. This facility will reduce our carbon footprint, and address resource scarcity by converting a waste by-product into a valuable solution for our customers.

Water management continues to be a priority for SABIC. The first priority of our water-management strategy aims to ensure that waste-water discharge streams are treated to comply with discharge limitations. Our second priority is to minimize fresh-water 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.

Our total absolute fresh-water usage in 2012 was 134 million m³*, compared to 135 million m³ in 2010. Water-usage intensity improved slightly with higher product sales and with almost the same absolute usage. 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 on marine life and local flora and fauna.

We received several ACC Responsible Care® awards for environmental improvements due to water-consumption reductions. Our Burkville, Alabama site reduced its fresh-water usage by 7.8% compared to 2011. These water-efficiency improvements also resulted in some reduced energy usage and GHG reductions because of reduced pumping energy requirements.

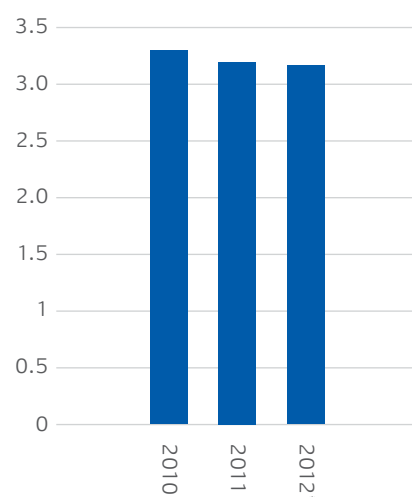
Our ambition is to reduce our fresh-water use intensity by 25% compared to 2010 levels by 2025. SABIC will need to take operational steps to reduce fresh-water consumption and to deploy the latest technologies to recover and recycle fresh-water streams.

REPORTING YEAR	GHG EMISSIONS (MILLION MT CO ₂ eq)		
	Scope 1	Scope 2	Total
2010	39	19	59
2011	38	20	59
2012	39	20	59*

REPORTING YEAR	GHG EMISSIONS (MILLION MT CO ₂ eq)			
	CO ₂	CH ₄	N ₂ O	F-gases
2010	58	0.1	0.0	0.3
2011	58	0.1	0.0	0.3
2012	58	0.1	0.0	0.4

Due to rounding, figures may not add up exactly

WATER INTENSITY (m³/MT PRODUCT SALES)



* Within KPMG assurance scope

Investing in new processes that minimize operational losses, taking advantage of post-industrial recycled materials, and utilizing by-products from other SABIC processes for raw-material substitution are all part of our reduction and optimization efforts. Given that the majority of our raw materials are non-renewable, it is particularly important that we take care to use these materials efficiently to produce high-value products for our customers.

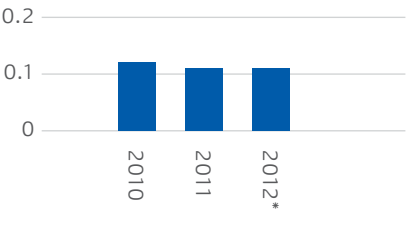
We continued to measure our progress this year with our Material Loss KPI, which is the sum of hazardous and non-hazardous wastes, process vents and fugitive losses, process-material losses to flaring or to waste-water treatment, and spills to the environment. SABIC takes this comprehensive measurement approach to allow sites to focus on the most important aspect of material loss for each plant, and to drive the concept of optimizing material usage in our production operations.

Our total Material Loss in 2012 was 4.6 million MT*, compared to 4.6 million MT in 2011 and 5.0 million MT in 2010. Intensity performance was also flat compared to 2011, but improved since the 2010 base year.

Our ambition is to identify and implement additional programs and actions to reduce our Material Loss Intensity by 50% compared to 2010 levels by 2025.

Our most significant reductions are expected to come from using vented materials as feedstocks and by reducing flaring losses. Concentrated carbon-dioxide vents are included in the Loss figure, and we have several active projects to use these materials as raw material for other processes. The projects are expected to improve both material loss and GHG emissions. In addition, we will strive to maximize overall yield and minimize wastes by implementing projects that increase synergy of by-products between our plants.

MATERIAL LOSS INTENSITY
(MT/MT PRODUCT SALES)



* Within KPMG assurance scope

PROTECTING NATURAL CAPITAL

“OUR POLYSTYRENE FACILITY REDUCED ITS GHG AND ENERGY INTENSITY BY 2% AND 6%, RESPECTIVELY, THROUGH THE OPTIMIZATION OF HOT-OIL-HEATER OUTLET AND STACK TEMPERATURES.”



PERFORMANCE HIGHLIGHTS

During 2012, we initiated a number of projects at our UK aromatics plant to reduce the energy intensity of our operations, including converting a steam boiler from oil to gas energy source, converting from a hot-oil to steam-heat transfer system, and completing multiple other steam-system upgrades to increase efficiency.

All of these actions translated to energy and GHG reductions of roughly 17%, contributing significantly to better performance across the board.

At our PETROKEMYA site, we made significant improvements at both our polystyrene and polyethylene plants. Our polystyrene facility reduced its GHG and energy intensity by 2% and 6%, respectively, through the optimization of hot-oil-heater outlet and stack temperatures, which reduced energy loss at the facility. We also improved the efficiency of major equipment such as the backup chillers and circulation pumps. The same plant also considerably reduced its water intensity by optimizing the water supply used for pumps, seal flushing, and reactor flushing and by increasing water recycling. These actions have resulted in approximately a 26% reduction in water consumption.

The PETROKEMYA polyethylene plant focused on reduction of flare gases. The plant worked closely with SABIC's Technology and Innovation team for flare and process parameter optimization, which resulted in a 35% reduction in GHG emissions and more than 20% reduction in Material Loss from overall flaring contribution.

SABIC's Innovative Plastics facility in Mount Vernon, Indiana executed a project to upgrade its Boiler House 2 and Phenols unit to recover energy, reduce operating costs, and reduce greenhouse gases. This upgrade reduced the unit-steam demand, resulting in a reduction of almost 15,000 MT of CO₂ per year and an energy usage reduction of 270,000 GJ per year. Hot and cold energy streams were reviewed for efficiency, and as a result, the project team installed a waste-heat integration exchanger.

This unit preheats the boiler feed water and returns it to the boiler at a much higher temperature, reducing the amount of energy required to produce steam.

SABIC's Fertilizers business launched a program at AL-BAYRONI, an affiliate of SABIC in Saudi Arabia, aimed at cutting energy use by 15% in its ammonia plant and package boilers. This project focuses on updating old plants to increase capacity of production, achieve economies of scale, and thereby improve energy efficiency.

YANPET, a SABIC joint venture, saw a 13% reduction in energy usage by reconfiguring extruder screw elements. This reduction contributed to the site meeting its annual sustainability targets, and also led to YANPET being awarded the ExxonMobil Responsible Care® Award in the energy-conservation category for the second year in a row.

Additionally, SAUDI KAYAN, a SABIC affiliate, implemented Energy Management Systems across its facilities. Overall, these systems resulted in 37,000 GJ reduction in energy, 15,000 MT reduction in GHG emissions, and USD 2.1 million savings on fuel, gas, energy, and water utilization.

With this effort, SAUDI KAYAN became the first in the petrochemical industry in Saudi Arabia and the second in the Middle East to have an integrated site-wide Energy Management System.

SABIC's Innovative Plastics' compounding sites in Asia Pacific performed well in 2012, making dramatic strides in the areas of water and waste through a concerted focus on changing operational practices. Overall, for the eight sites in the Asia Pacific region, water intensity was reduced by 9.9% compared to 2011 and waste was decreased by 24% compared to 2011. Three sites in particular led the improvement, namely our Moka site in Japan, our site in Shanghai, China, and the Chung Ju site in Korea.

ENHANCING OUR ENVIRONMENTAL PERFORMANCE

In addition to our global environmental footprint, we also have a strong focus on environmental protection local to each of our operating sites.

SABIC takes seriously any release of hazardous substances into the environment. Any significant releases are reported within three classes from A (most severe) to C (least severe). From 2011 we revised our EHSS standards to challenge ourselves further and demonstrate to our stakeholders that we are continuously improving our environmental impact and managing our operations more stringently: we reduced the threshold for reporting Class C hazardous spills from 1,000 kg to 100 kg. Although we recorded a greater number of releases in 2012, the increase was due to the 10-fold reduction in the class C reporting threshold. This increase was accompanied by a more significant reduction in the more severe A and B classifications during the period of 2010-2012. The overall volume of releases into the environment also decreased - total tonnage of Class A & B hazardous releases fell from 53.4 MT in 2011 to 46.1 MT in 2012.

TOTAL NUMBER OF HAZARDOUS-SUBSTANCE CHEMICAL RELEASES



PROTECTING NATURAL CAPITAL

CASE STUDY



SPOTLIGHT ON SABIC'S METALS-SUSTAINABILITY PERFORMANCE

SABIC'S Metals business has been a significant contributor to our overall sustainability story. Operating one of the oldest manufacturing units within SABIC, the Metals business faces unique sustainability challenges. That's why, with the support of senior management, the Metals business in 2012 engaged employees on sustainability across the business, and sought suggestions and best practices from different business-unit executives and technology and innovation leads. This was done through a series of workshops, regular meetings, and solution campaigns to drive significant improvement projects such as:

- Capturing and using waste carbon dioxide to manufacture value-added finished products, which reduces GHG intensity by approximately 4%.
- Transferring waste heat from intermediate production phases to downstream stages to reduce overall energy intensity and yield GHG improvements.
- Recycling waste water and using reclaimed water to reduce fresh-water intake by more than 25%.
- Optimizing reheating furnaces to bring about 20 to 30% reduction in energy consumed as fuel for reheating steel stock prior to rolling.

SABIC'S Metals is one of the few steel businesses that has conducted a Life-Cycle Assessment (LCA) on its steel-making process and had the assessment third-party certified for conformance to the ISO-specified LCA guidelines. As a result, the SBU was able to better understand the environmental impact of all of its products on the basis of a globally understood and accepted methodology. This will enable targeted improvements in product design and manufacturing process over time.

SABIC'S Metals is also working on a flagship sustainability project that aims to achieve reductions in three sustainability metrics. The project, dubbed "Top Gas Fuel Utilization" (TGF), involves redirecting gases that are currently flared to be used as a fuel source in another part of the manufacturing process. This innovation will result in a 2.6% reduction in energy usage, 1.1% reduction in emissions, and more than 30% reduction in material loss every year. At the same time, these actions will boost Metals' intermediate production by 5%.





INTEGRATING SUSTAINABILITY THROUGHOUT THE BERGEN OP ZOOM SITE, NETHERLANDS

Our Innovative Plastics business production facility in Bergen op Zoom, Netherlands, has a long tradition of finding opportunities to reduce environmental impact and costs by focusing on energy and GHG reductions. European energy prices and legislative incentives from the European carbon-dioxide trading system reinforce the facility's need to maximize efficiency.

In addition to historical improvements, recent efforts show the benefits of continued engineering focus. The Bergen op Zoom site has achieved a 7% reduction in energy intensity and a 4% reduction in its GHG intensity as compared to the 2010 baseline.

The recent improvements were achieved with minimal capital investment by:

- Widening the scope of our improvement efforts from the individual plant level to the total site level.

- Investigating our energy value chain and building synergistic partnerships with neighboring industries.

- Improving our energy reporting systems to identify and target high-impact areas.

- Sharing knowledge of our energy footprint internally across a variety of teams – including operations, maintenance, engineering, EHSS, and finance.

- Addressing technical losses in our steam, condensate, and compressed-air systems to reduce our impacts or reroute useful waste byproducts toward valuable applications.

- Having a structured Energy Management work process embedded in the normal process through which we report and analyze our utilities usage.

Through these efforts and others, our Bergen op Zoom site is expected to meet its site sustainability objectives ahead of schedule.

PROTECTING NATURAL CAPITAL

“ WE ARE CONTINUALLY WORKING TO BETTER UNDERSTAND THE IMPACTS OF OUR ENTIRE VALUE CHAIN. ”



LOOKING FORWARD

In the years ahead, total product value-chain impacts will have to be considered in order to reduce overall product environmental impacts.

As an example of net value-chain benefit, we will be producing more innovative and specialty chemicals in the future, which can have higher production intensity than the SABIC average today, but may have lower overall value-chain impacts. To support understanding of the full life-cycle impacts of this strategic shift, we will continue to invest in conducting life-cycle assessments across our range of products. We will continue to focus on operational footprint reduction while increasing opportunities for avoided value-chain emissions through life-cycle understanding.

From an internal manufacturing perspective, we are conducting detailed assessments of our processes to prioritize efforts on the top energy-efficiency opportunities. We already have established a dedicated team to analyze and then reduce flaring at

our manufacturing sites. In 2013, we will develop solutions that are expected to include increasing asset reliability and deployment of technologies to capture and reuse flared gases. We will have to make larger capital investments to achieve operational goals in the years to come, especially as we realize most of the relatively simple process optimizations at our facilities. This will require greater support and collaboration with our Joint Venture partners to optimize our base technologies and support operations for maximum efficiency.

To understand and drive external footprint, we will be working to better understand the most significant impacts along our entire product value chain. Our Sustainability Steering Committee will review priorities for quantifying and driving improvements in some of our key value-chain emissions later this year. We will continue to invest in making suppliers a part of our solution. We are starting a mapping process of our suppliers to better understand their sustainability

performance. This will enable us to integrate sustainability criteria into supplier selection and engagement in the near future.

Through participation with global climate-change and life-cycle assessment organizations and initiatives, SABIC will continue to pursue a leadership position on these issues. We also continue to seek partnerships with government agencies and universities to find innovative ways to further reduce our value-chain footprint. In the Middle East – and globally – we will strive to grow our operations and investments in emerging economies to meet sustainable growth standards and to prepare the chemicals industry to thrive in an economy that manages natural capital far more effectively.

INVESTING IN OUR PEOPLE

“ENGAGED EMPLOYEES WITH
THE SKILLS TO DRIVE CHANGE ARE
ESSENTIAL TO THE SUSTAINABILITY
OF OUR BUSINESS.”



OUR APPROACH

“ INTEGRITY, RESPECT, HEALTH, SAFETY, AND SECURITY ARE ESSENTIAL TO THE GLOBALLY EMPOWERING, INNOVATIVE, AND PERFORMANCE-BASED CULTURE WE ASPIRE TO PROVIDE. ”

INVESTING IN OUR PEOPLE

The strength of our business comes from the people powering it. That's why SABIC's ambition is to be a global employer of choice. Integrity, respect, health, safety, and security are essential to the globally empowering, innovative, and performance-based culture we aspire to provide.

As a relatively young and rapidly globalizing company, we crafted our 2012 framework to address trends such as a shortage of skilled talent, an increasingly global workforce, and a motivated employee base with high expectations for fulfilling career opportunities.

We invested and delivered programs to continuously improve our people-management and safety systems and processes, because our firm belief is that SABIC employees are our most vital resource.



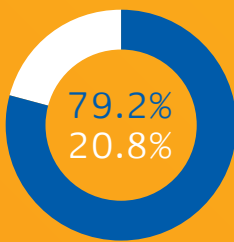
Since SABIC's inception, the key ingredient to our success has been, and will continue to be, our employees and their foundation of strong values. As EVP of Human Resources, I consider SABIC's strategic investments in our people to be my most important objective and my most fulfilling responsibility. Although SABIC faces no shortage of challenges, I am extremely proud of the progress we have made and I am confident that we will realize our vision of being a global employer of choice.

Yousef Abdullah Al-Benyan
Executive Vice President
Human Resources

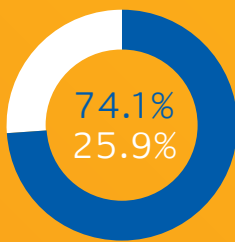


OUR PERFORMANCE

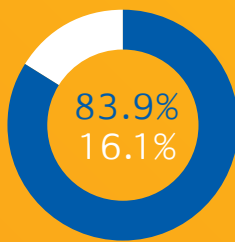
KEY FACTS



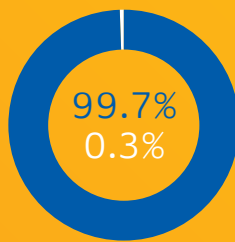
AMERICAS



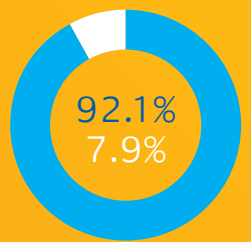
ASIA



EUROPE



MEA



TOTAL

PERCENTAGE OF WORKFORCE BY GENDER



IMPROVEMENT IN HEALTH, SAFETY, AND SECURITY PERFORMANCE BETWEEN 2005 AND 2012



SABIC WOMEN'S NETWORK GREW TO OVER 24 ACTIVE HUBS GLOBALLY, REPRESENTING ALL SBUS



LAUNCHED THE SABIC ACADEMY TO CULTIVATE THE NEXT GENERATION OF LEADERS

INSPIRING A CULTURE OF DIVERSITY

SABIC has grown quickly, and we have broad global reach. SABIC operates in different countries, each with its own cultural identity. Our responsibility includes respecting local communities, cultures, and beliefs, and we conduct our operations accordingly.

As we continue to mature, it is imperative that we put into place the talent-management systems required to be a world-class organization.

One of our main challenges is that we are still in the early stages of building harmonized global systems, processes, and philosophies. It is a learning process and an incomparable opportunity to develop a uniquely SABIC approach to global talent management. Effectively allocating resources to ensure near-term results while putting in place programs to drive our future is a complex challenge, and while we have not yet mastered it, it inspires and motivates us to excel.

Diversity and inclusiveness are vital to our global competitiveness. As a responsible company, we respect the different cultures and beliefs of the communities in which we operate. By enhancing our focus and understanding of global diversity and inclusiveness, we believe we provide a culture that accelerates and supports Chemistry that Matters™

Over the past year, gender diversity was a key focus for SABIC globally, and we made significant investments in supporting the development of our female employees. In 2012, we formally launched the Global SABIC Women's Network, an employee resource group designed to recognize the unique talents and experiences of women and their impact on SABIC's success. We also piloted our first Women's Executive Development Experience, which brought experienced leaders together for mentorship on personal and professional growth and skills development. As part of this program, the leaders received one-on-one executive coaching, tools to help them gain better insight into performance, and action-oriented development plans for career development and leadership positions within SABIC.

Executive sponsorship of this innovative program was a true testimonial to SABIC's investment toward the development of diverse talent.





“ DIVERSITY AND INCLUSIVENESS ARE VITAL TO OUR GLOBAL COMPETITIVENESS. AS A RESPONSIBLE COMPANY, WE RESPECT THE DIFFERENT CULTURES AND BELIEFS OF THE COMMUNITIES IN WHICH WE OPERATE. ”

THE SABIC WOMEN'S NETWORK (SWN)

The Global SABIC Women's Network (SWN) made great progress in 2012, and we view this employee resource group with immense pride.

The mission of the SWN is to partner with the business to:

- Support the recruitment, retention, and professional development of women.
- Promote women's issues in the workplace.
- Connect women locally and globally.

In 2012, we sponsored the first-ever SWN Global Summit in Shanghai, China, to develop the SWN strategy for the coming years. Senior leadership from all regions and SABIC functions attended the two-day summit, thus demonstrating SABIC's commitment to a diverse workplace.

In addition to confirming the SWN's near and mid-term strategy, the session provided global networking opportunities that connected SABIC women to leadership role models and peer mentors. It also provided an inspirational global experience that enhanced participants' knowledge of SABIC's global business dynamics, world cultures, and personal leadership.

Over the past year, the SWN achieved several important milestones, including forming a Steering Committee, growing to more than 24 active hubs globally, and ensuring participation by all SBUs and corporate functions. Looking forward, the SWN Steering Committee will focus on developing a strong communications portal, rolling out the strategy globally, establishing clear metrics and goals to track progress, encouraging cross-hub mentoring, and engaging more actively in SABIC recruiting processes.



INVESTING IN OUR PEOPLE

CASE STUDY



SUSAN BRATE – THE NEXT GENERATION



As a SABIC leader, I believe that our next generation of executives will require diverse perspectives and talents to drive the successes we aspire to deliver. SABIC has clearly shown that developing female talent is a strategic priority, as well as the right thing to do. SABIC and the SABIC Women's Network (SWN) have developed a true partnership, focused on providing women challenging career opportunities and access to role models and mentorship. I currently lead the SWN globally, a role I play outside of my daily job. I see tremendous value in being a role model to other women who want to contribute at high levels in the company, because I have personally benefited from coaching and exposure to senior executives as well as through new talent-management programs like SABIC's Women's Executive Development Experience.

Our first discussion about globalizing the SWN with Mr. Al Mady, the CEO, was four years ago, and we have continued to organize meetings with him once a year to convey how women experience SABIC internally, how we can cultivate female talent, and what we are doing to integrate the SWN into SABIC operations globally. It has been very exciting to watch the advancement of the SWN and I am personally gratified that these efforts are supported by the company. Our recent strategy summit in Shanghai helped us to broaden participation in the network and raise the SWN's visibility in the organization among both women and men. My hope is that the SWN will become a platform to share best practices, provide career development, and help women in the global SABIC organization receive mentoring to thrive in their work and advance their careers. I see the SWN as a great vehicle to drive SABIC's ambition to be a global employer of choice that continues to recruit talented women leaders into the company, and encourage and support the advancement of their SABIC careers.

Susan Brate

Supply Chain and Business Transformation
Innovative Plastics Business



ETHICS AND COMPLIANCE

We are committed to the highest standards of ethics, integrity, and compliance every day, in every transaction, and everywhere we do business. These standards establish the solid foundation upon which our sustainable and global growth depends.

TRAINING

We realize that in order to minimize risks to our business and to our people, we must aim to eliminate all violations of our Code of Ethics, applicable law, regulations, or other legal requirements by our employees or any person acting on behalf of SABIC. Our compliance efforts start with knowledge and awareness, which is why we require every SABIC employee to review the Code of Ethics on an annual basis, and to complete training on the policies it contains. All employees must take four General Awareness courses on the basics of all 14 policies. In addition, there are another 31 advanced courses that are more detailed and are assigned to employees based on their roles and their work function within the company. This approach allows employees to complete training with a particular focus on those compliance policies and practices that pertain most directly to the issues they face in performing their job duties. Our employees are required to take an average of 15 advanced courses during each two-year training cycle. Several of our compliance courses are available in the languages most commonly used by our employees. In 2012, the rate for the completion

of required training was more than 99%. In addition to our online Code of Ethics training, we also conduct live training on emerging and high-risk areas. For example, in 2012 alone, more than 5,000 employees were trained in anti-corruption and anti-dumping practices, compliance investigations, and intellectual property, in addition to other topics.

COMPLIANCE REVIEWS

In 2012, SABIC's Compliance and Enterprise Risk Management teams introduced a global risk-review process using a custom online tool. The process begins with a "bottoms-up review," during which managers solicit input from their direct reports on compliance, operational, financial and strategic risks. The managers are responsible for completing online surveys designed to identify compliance and enterprise risks and suggest mitigation actions. The results are reviewed and discussed in detail among successive layers of management, together with the Legal and Enterprise Risk Management teams. Owners are assigned to develop and implement risk-mitigation plans which are tracked at each level. In 2012, reviews were conducted for 13 business units or functional organizations.

ADDRESSING COMPLIANCE CONCERNS

Our robust compliance culture depends on effective mechanisms that encourage employees to speak up and raise actual or potential compliance concerns. Employees must report all compliance concerns through one of the many available channels, including their manager, Human Resources, the Legal

Department, or a Compliance Helpline Leader. The Compliance Helpline is an internal, global "hotline" that was created to promote an atmosphere where employees feel free to raise concerns without fear of retaliation. Compliance Helpline Leaders are responsible for receiving concerns and ensuring that all concerns are properly investigated and addressed. They are also a resource to answer questions about the Code of Ethics. As a company we strictly prohibit retaliation of any kind against anyone who raises or helps to address a compliance concern.

In 2012, SABIC created a global set of Compliance Investigation Guidelines to provide a comprehensive process for recording, investigating, reporting, and resolving compliance concerns across all of SABIC, and to promote employee confidence in the integrity of our compliance processes. The Guidelines ensure global consistency in procedures regarding appropriate confidentiality and fairness protections for employees, as well as an established escalation protocol to involve management in the resolution of investigations. We also maintain a centralized tracking system for investigating data to effectively analyze trends, identify areas for process improvements, and report progress to senior management. As part of our effort to further enhance our open reporting environment, we require all managers to take live or online training on our Compliance Investigation Guidelines. Over 2,800 managers took the course, which included training on how to participate in an investigation, and how to create an open reporting environment for employees. Last year,

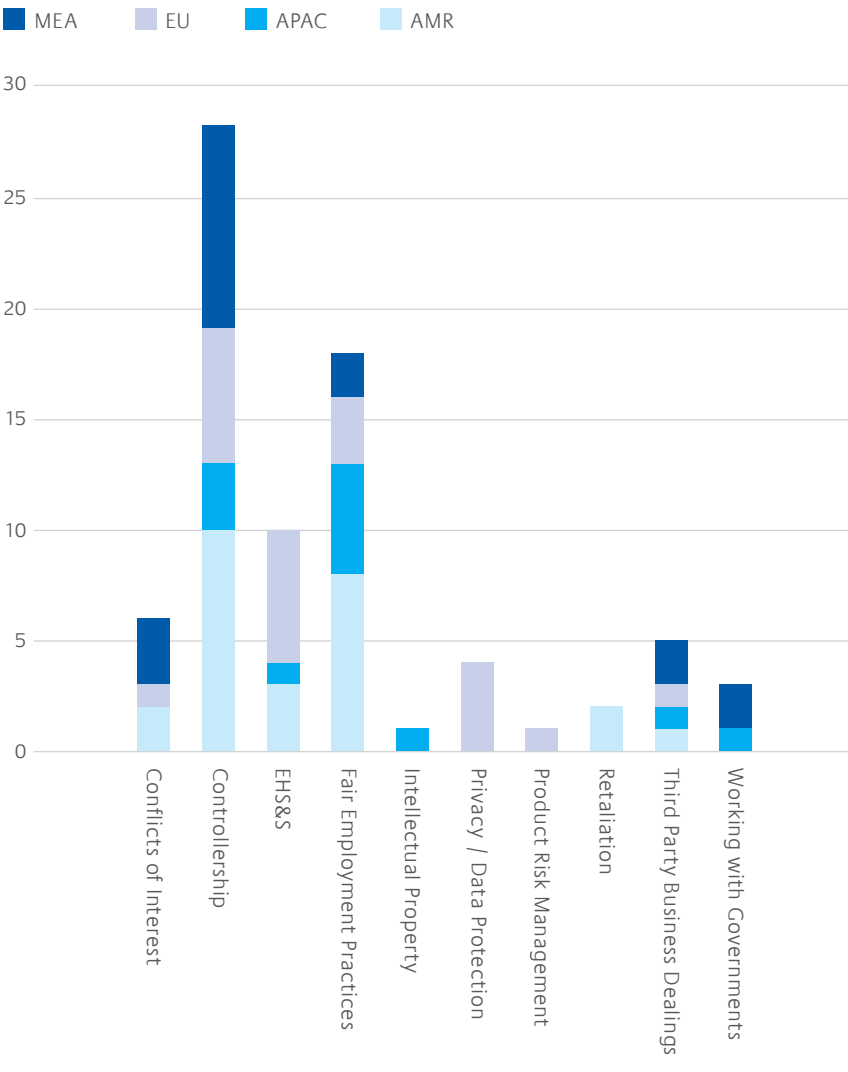
“OUR ROBUST COMPLIANCE CULTURE DEPENDS ON EFFECTIVE MECHANISMS THAT ENCOURAGE EMPLOYEES TO SPEAK UP AND RAISE ACTUAL OR POTENTIAL COMPLIANCE CONCERNS.”



we had 78 reported compliance concerns. Many of these reports had to do with our Controllershship policy, which is a broad policy covering issues such as misuse of company assets (e.g., using a computer or copying equipment for personal use) and improper attendance reporting, as well as theft and fraud against the company.

All 78 of the compliance concerns reported in 2012 have been closed. 36 of them involved violations, while no violations were found in the remaining 42. A Corrective Action was taken for every violation found. Corrective Actions include process and procedural changes, training and education, and discipline. They are determined on a case-by-case basis depending on the particulars of the matter. Of the 36 violations found, 23 resulted in disciplinary actions, which range from a warning to termination of employment. We also recognize that the suppliers we do business with are an important component of our efforts to be a responsible and fair enterprise. The actions of our suppliers impact our reputation and our relationships with customers. Therefore, we ask our key suppliers to read our Code of Ethics, and commit to its policies both in letter and spirit. Our suppliers also have access to our compliance helpline and are encouraged to raise any concerns about improper business conduct that they witness by any party conducting business on behalf of SABIC.

2012 COMPLIANCE CONCERNS BY POLICY



INVESTING IN OUR PEOPLE

“ THE SABIC EXECUTIVE COMMITTEE, REGULARLY
REVIEWS THE STATUS OF THE COMPANY’S COMPLIANCE
PROGRAM, DATA AND TRENDS. ”



OVERSIGHT

LEADERSHIP

Our leaders are responsible for establishing systems to prevent, detect, and respond to compliance concerns, and for creating a culture of compliance where they lead by example. Leaders attend training sessions to acquire the tools they need to drive a strong compliance culture.

COMPLIANCE REVIEW BOARDS

SABIC has established four regional Compliance Review Boards. The Boards meet regularly to identify and address key compliance risks in their regions, review data and trends regarding compliance programs in their region, and monitor the completion of the integrity training required of our employees.

RISK MANAGEMENT COMMITTEE

The SABIC Risk Management Committee, which is a part of the SABIC Executive Committee, regularly reviews the status of the company’s compliance program, data and trends regarding investigations and issues and resolution, as well as strategic plans for program enhancement.

LABOR AND HUMAN RIGHTS

We are committed to creating and fostering a culture of respect and fair employment practices that prohibits all forms of illegal discrimination. We must recruit, hire, discipline, dismiss, compensate, promote, and provide other conditions of employment in compliance with applicable laws and in a manner that respects the diversity of our employees. A prominent component of this global imperative is our Fair Employment Practices Policy, which not only requires compliance with all labor and employment laws in each country where we employ people, but also sets a standard for behaviors that respect all people and requires that employment decisions are based on capability, performance, and other job-related criteria. Our commitment is to:

- Prohibit illegal discrimination and ensure compliance with all laws and any regional nondiscrimination statements.
- Ensure that merit and other job-related criteria are the sole basis for all employment-related decisions consistent with law and this policy.
- Comply with all applicable labor and employment laws, including laws regarding child labor, forced labor, rights to freedom of association.
- Provide a harassment-free workplace.
- Respect our employees’ privacy rights.

CODE OF ETHICS

SABIC remains committed to the highest standards of ethics and integrity, which are articulated in our Code of Ethics. Our Code consists of 14 policies related to our primary areas of impact and compliance risks, namely:

- Competition Law
- International Trade Controls
- Insider Trading and Stock Tipping
- Conflicts of Interest
- Controllership
- Environment, Health, Safety, and Security
- Fair Employment Practices
- Intellectual Property
- Privacy and Data Protection
- Product Risk Management
- Third-Party Business Dealings
- Working with Governments
- Money Laundering
- Reporting Compliance Concerns and No Retaliation

Our complete Code of Ethics can be found on our website: www.sabic.com/corporate/en/ourcompany/code-of-ethics



WORKING FOR A BETTER WORKPLACE

In today's competitive global environment, attracting the best talent is becoming increasingly difficult due to a relative scarcity of qualified candidates. With this in mind, we believe a key SABIC differentiator is the unparalleled opportunity we provide through access to cutting-edge work and thought leaders in and outside of the company.

We believe being an employer of choice requires robust learning and development opportunities for all of our employees. From experiences at top-ranked academic institutions to "Lunch & Learn" sessions hosted by employees for employees, we value and encourage formal and informal learning as a vital aspect of our work culture.

Our goal is to meet or exceed the target indicators for world-class learning organizations such as those defined by the American Society of Training & Development (ASTD). These indicators are focused on employee learning hours, learning and development investment ratio, and measuring learning gains using the Kirkpatrick Model.

In 2012, we launched the SABIC Academy to cultivate the next generation of SABIC leadership. The SABIC Academy is our global center for learning and development and is a platform to advance knowledge, share expertise, and develop our people into leaders and outstanding performers.

The goal of the Academy is to stimulate and incubate thought leadership that directly benefits SABIC, our customers and stakeholders, and the global community. Participating employees have the opportunity to interact directly with senior leaders. The Academy is gaining international recognition and in 2012 hosted the World Economic Forum in a round-table discussion on the role of large employers in fostering job creation in the Arab world.

Our employees are also a tremendous source of knowledge and expertise. Through our "SABIC Teach SABIC" initiative, we engage SABIC leaders to facilitate in-person classroom discussions. Consistent with our belief in diversity and inclusion as a competitive advantage, we strategically manage participation in these classes to bring together a unique group of SABIC employees from different sites, functions, and business units. This effort cultivates informal networks that strengthen relationships, enhance global cross-cultural competence, and foster the transfer of knowledge between different roles in the company, a development critical to SABIC's long-term success.

Our ambition is to fluidly embed learning and development into each of our functional units. An early example of such a model is our approach to supply-chain career development, led by the Global Supply Chain Center of Excellence in conjunction with SABIC Academy. We want to create a pool of professionals large enough to fill key positions across SABIC's global supply chain, and also to keep SABIC on the leading edge of innovation. To this end,

we have partnered with Pennsylvania State University to accelerate SABIC's development programs for supply chain. The partnership complements SABIC's existing in-house programs and provides talented individuals with graduate-degree-granting programs in supply chain.

EMPLOYEE GREEN TEAMS

Another indicator that we are developing the culture to which we aspire is the extent to which our employees embrace our mission and engrain sustainability thinking into their daily work. As an example, we are happy to report that our employee-led Green Team from the Innovative Plastics Pittsfield site built on the success reported last year and introduced additional sustainability efforts in 2012. Their accomplishments include reducing water usage through automatic sensors and low-flow faucets, reducing energy consumption through energy-efficient LEDs, and reducing waste by composting kitchen food scraps. Additionally, our Information Technology Department has reduced paper consumption from 2010 to 2012 by 50%. By introducing new technology tools and creating awareness about the impact of personal paper consumption, this green team has reduced usage by over 25 million pieces of paper.

We look forward to seeing how we can institutionalize the "green team" effort across all groups of employees in 2013.

“ BEING AN EMPLOYER
OF CHOICE REQUIRES ROBUST
LEARNING AND DEVELOPMENT
OPPORTUNITIES FOR ALL. ”



EMPLOYEE PROGRAMS

We rely on the feedback of our stakeholders to make sure that our efforts are producing positive results. A number of leading external groups have validated SABIC and our programs that reinforce our employee value proposition. For example, in China, Mexico, and the Netherlands, SABIC received exemplary recognition:

- Our Tampico, Mexico, site recently achieved its certification as a “Great Place to Work®” from the Great Place to Work (GPTW) Institute in Mexico.
- The CRF Institute, which specializes in international research on work conditions, named SABIC as a “Top Employer” in the Netherlands for the sixth time and in China for the third consecutive year.

IMPROVING HEALTH AND SAFETY

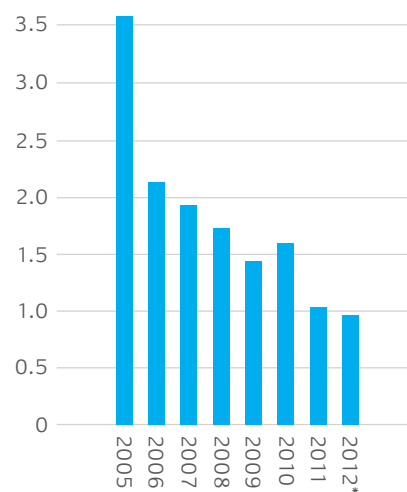
A fundamental commitment to our employees and our communities is the safety we emphasize in our operations. In our drive for continuous improvement in EHSS, we aim to establish leadership beyond compliance. We have strong internal and external assurance programs in place to guarantee that our facilities meet the best industry standards¹. Our industry poses significant occupational health and safety challenges, alongside

substantial process safety risks, all of which need to be effectively managed as our company globalizes rapidly. SABIC has made good progress in 2012 to introduce systemic and cultural improvements which create a safer environment.

Effective metrics in health, safety, environment, and process safety are a critical component of our management activity. We measure overall EHSS performance through an internally developed Safety, Health, and Environment Rate (SHER) metric, which incorporates a wide range of EHSS incidents from environmental releases to process safety and occupational health and safety incidents. These incidents are weighted based on their relative severity. Since 2005, we have improved our EHSS performance by 73%, which includes a comprehensive range of incident types from occupational safety & health, process safety, environment, and security. Also, over the same period, our Recordable Incidence Rate performance for direct-hire employees has improved by 28% and for contractor employees by 64%.

Our SAFER program (SABIC’s Assurance Program for EHSS Risks) provides a systematic approach to identify, assess, record, and mitigate EHSS risks. SAFER serves to drive continuous improvement on our SHER metrics and is currently being implemented in 26 of our major sites globally, representing more than 80% of eligible operations to date. In 2012, SAFER was introduced at 14 of our chemical-operations sites and at three of our smaller (typically polymer-compounding) sites.

SHER TREND FROM 2005 TO 2012



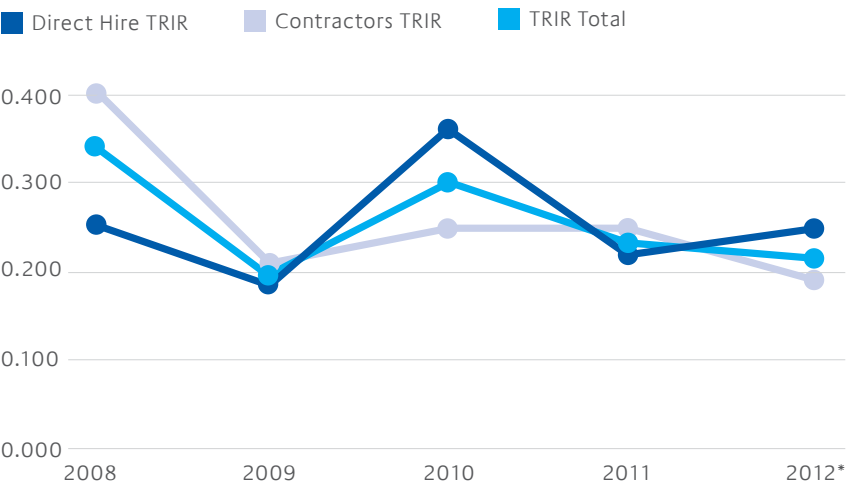
* Within KPMG assurance scope



1. The Safety, Security, Health, and Environment Rate (SHER) and Incident Rate (IR) results included in this report align with the sustainability-footprint boundary in this report although they do not include results from the SSTPC site.

INVESTING IN OUR PEOPLE

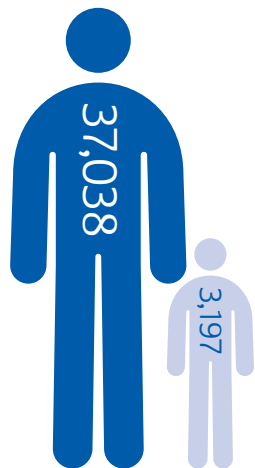
TOTAL RECORDABLE INCIDENCE RATE (TRIR)
INJURIES AND ILLNESSES PER 200,000 HOURS WORKED



* Within KPMG assurance scope

SABIC understands that success in EHSS is built on effective management, leadership, and relentless attention to detail. We routinely review the effectiveness of our management systems and standards, and in 2012 we implemented an enhanced assessment and reporting framework for Process Safety Incidents within our Safety, Security, Health, and Environment Management (SHEM) standards. The new assessment and standard are based on internationally recognized guidance from the Center for Chemical Process Safety (CCPS). Our new severity-related process-safety metric provides more granular data to manage our business and understand the risks we face. We are collecting our third year of data based on this enhanced approach and will set long-term improvement targets in 2014 based on the trends indicated.

EMPLOYEES AND CONTRACTORS



EHSS and Manufacturing play a central stewardship role in all dimensions of sustainability. We are deeply driven by our values to maintain the health and safety of our employees and our communities. We must deliver day-to-day performance and also improve in the long run by setting efficient management standards and leading proactive initiatives, like Responsible Care® and our SAFER program. We must serve our stakeholder expectations by providing superior safety, health, and environmental performance in the design of our products, through their safe production and distribution and their use by our customers. We take this responsibility to our communities and our customers seriously, and believe it also extends to the safety and health of the planet that we all depend on.

Mosaed Al-Ohali
Executive Vice President of Global Manufacturing



“ SABIC UNDERSTANDS THAT SUCCESS IN EHSS IS BUILT ON EFFECTIVE MANAGEMENT, LEADERSHIP, AND RELENTLESS ATTENTION TO DETAIL. ”



Our EHSS standards, systems, and programs can only truly be successful if they reach not only our immediate employees, but also our contractors. Our focus on leadership beyond compliance and management-system improvements is strongly influenced by the need to understand the risks posed to our contractors and to increase their safety knowledge and understanding.

Sadly, in 2012, we suffered four contractor fatalities. Three of these fatalities occurred as a result of two incidents within the manufacturing facility of our Metals business. In the first, two contractors were fatally injured while working on high-voltage electrical equipment and in the second incident a contractor suffered a fatal fall.

The fourth fatality occurred within a manufacturing site associated with our Chemicals business. A contractor was trapped at a height during the movement of a mobile working platform.

These four incidents reversed the previous downward trend in such incidents from 2008 to 2011. SABIC treats such incidents with the utmost gravity, knowing that our response must include tangible improvements to ensure our contractor fatality rate reduces to and remains at zero.

Key to this philosophy is ensuring that we work with our contractors not as third-party providers, but as our business partners who collaborate with us to achieve EHSS excellence and to assure the safety of all our personnel. Our contractors are represented on all key EHSS committees and are an

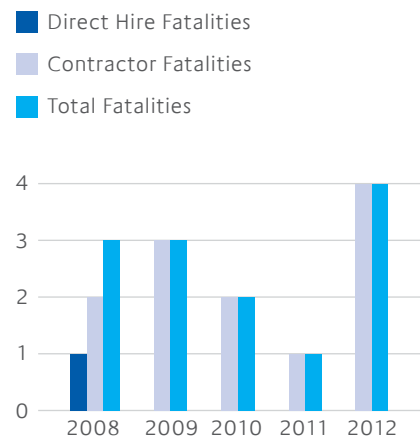
integral part of our EHSS culture and behavior programs. SABIC is also sharing safety best practices across our global operations and sites. Finally, we have put into place a task force to identify high-impact focus areas for improvements to our contractor-safety program.

Continuously evolving our relationship with our contractor partners, moving from monitoring to engagement in all aspects of EHSS, is vital to reduce risk and enhance performance. Involving our partners in reviewing and updating our safety strategies, and including them in cross-functional EHSS committees will ensure we coherently identify and implement valuable improvements.

We also recognize the need to help ensure that our suppliers adhere to solid EHSS practices. Our Innovative Plastics SBU has been performing EHSS due diligence on all direct material suppliers at varied levels depending on each supplier's risk potential. For these suppliers, we undertake inquiries that range from questionnaires and interviews to thorough on-site EHSS inspections. Innovative Plastics has performed reviews of over 2700 suppliers in over 50 countries, including over 700 on-site inspections. On-site EHSS inspections have been performed for over 80% of Innovative Plastics' annual direct-material buy for manufacturers located in emerging countries.

SABIC regards an excellent organizational culture as a critical element in the delivery of EHSS performance beyond the requirements of our management systems and metrics. We believe strongly that programs that build a culture of

OVERALL NUMBER OF FATALITIES



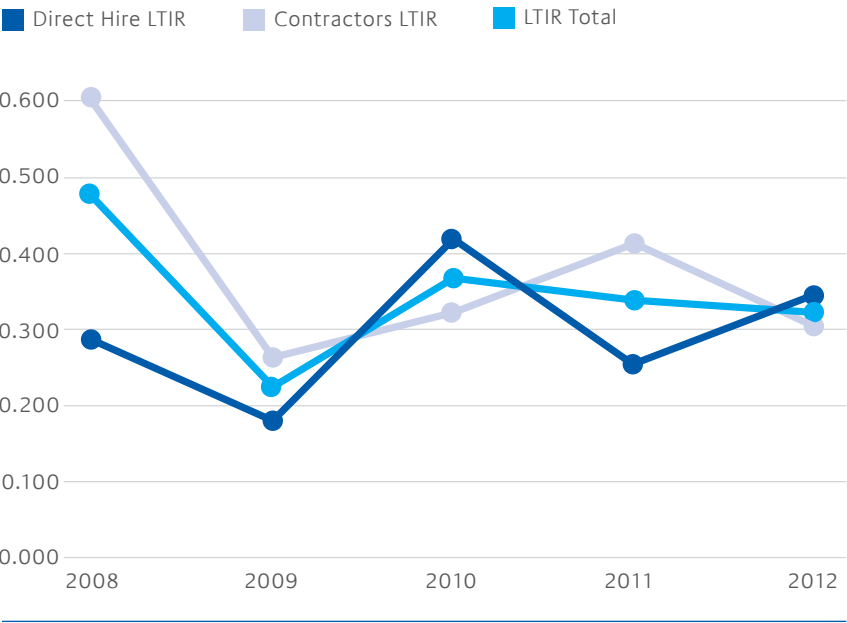
safety have contributed to decreases in our lost-time injury and occupation illness rates. We have also recruited 11 experts in plant and equipment reliability. These experts will proactively drive for reductions in manufacturing disruption incidents, which could also risk associated EHSS events. This will benefit our ability to deliver uninterrupted supply to our customers, as well as ensure strong EHSS performance and SHER reduction.

In Bergen op Zoom, we organized a series of EHSS and Reliability Days to demonstrate safe behavior and to stimulate dialogue on a safer culture. Attracting more than 800 employees, these events featured various EHSS stations to educate our workforce on how SABIC deploys technology to secure our premises, inspects underground waste-water pipes, and addresses chemical spills and fires. The focus of each station was to help employees understand how they can contribute personally to improving the safety and reliability of the facility. Our contractors also participated in the event.

Beyond our manufacturing sites, SABIC is building greater awareness on EHSS matters at other regional locations, establishing office programs to promote safety, comply with local legislation, and adhere to SABIC's SHEM metrics. In December 2012, we conducted a workshop for our German offices to cover incident reporting, safety trainings, compliance audits, personal protection, and emergency preparedness (among numerous other topics). In our Asian corporate offices, we have established EHSS committees to ensure that we integrate a culture of safety in both production and commercial sites.

Every year, SABIC runs a global EHSS awards program to recognize and honor employees, affiliates, and contractors for their excellence in EHSS and reliability performance, and to promote the importance of putting the company's safety and health policies into practice.

LOST-TIME INJURY RATE (LTIR)
INJURIES PER MILLION HOURS WORKED



“ WE ARE DRIVEN BY OUR
VALUES TO MAINTAIN THE HEALTH
AND SAFETY OF OUR EMPLOYEES
AND OUR COMMUNITIES. ”



THE WINNERS OF THE 2012 EHSS AWARDS WERE:

Contractor EHSS

- Bronze – Inabensa (Cartagena, Spain)
- Silver – Cofely Zuid Oost (Geleen, Netherlands)
- Gold – Harsco (Geleen, Netherlands)

Global EHSS

- Bronze – IBN ZAHR (Jubail, KSA)
- Silver – UNITED (Jubail, KSA)
- Gold – KEMYA (Jubail, KSA)

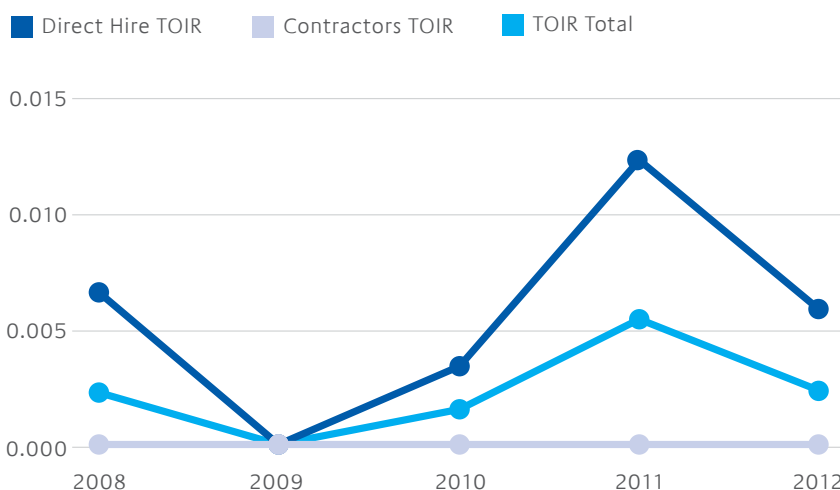
We also received a number of recognitions in 2012 for outstanding EHSS performance. In 2012, our plant in Klang, Malaysia, achieved a remarkable milestone of 10 years with no recordable injury incidents.

Our Rayong compounding plant in Thailand received two awards from the government, including national Best Safety Management Award for the seventh consecutive year and Silver Award in Zero Accident Campaign.

2012 is the third time that SABIC in Singapore has received the WSH Silver Award in recognition for operations with high safety standards.

Finally, SABIC received three certificates for safety performance in Ottawa, Illinois; Bay St. Louis, Missouri; and Washington, West Virginia. By implementing and enforcing high standard-safety procedures, SABIC lowers incident and fatality risk for our employees. All three winning facilities demonstrated zero days away from work cases.

TOTAL OCCUPATION ILLNESS RATE (TOIR)
OCCUPATIONAL ILLNESSES PER 200,000 HOURS WORKED



ESTABLISHING A CULTURE OF SAFETY

Management systems and metrics are key elements of EHSS performance, but culture and behavior programs are further vital elements of SABIC's journey to global EHSS excellence.

In Europe, SABIC is implementing a structured culture improvement program, where detailed assessments of individual and team feedback help us to identify cultural and organizational factors which limit EHSS performance and to define specific improvement actions. These actions

move our manufacturing sites towards a fundamentally proactive, value-driven approach to EHSS. In 2012, this program was initiated at six of our 12 regional production facilities. These sites have shown early promise in making EHSS even more personal, increasing leadership engagement and creating a 'culture network' to share best practices. Our program in Europe, along with its counterparts around the globe, is enabling SABIC to create a high-performance culture where EHSS underpins our operational success. Ultimately we aspire to zero incidents, and we will continue working toward that goal.



INVESTING IN OUR PEOPLE

“ IN 2013 AND BEYOND,
WE WILL CONTINUE TO BUILD
ON OUR COMMITMENT TO
OUR PEOPLE. ”



LOOKING FORWARD

In 2013 and beyond, we will continue to build on the pillars that drive our commitment to our people.

We will support the SABIC Women's Network and provide cross-cultural training for high-performing employees.

We will strive to harmonize our global talent-management and human-resources functions while building a strong pipeline of potential employees, particularly in high-demand technical skills such as chemical engineering.

It is important to recognize that the challenges we faced in 2012 will not disappear. But we are confident that our efforts to date have built a strong platform on which we can improve.

Our contractors will continue to play an important role in our business. SABIC remains committed to their safety and security, and we will advance our goal of reducing the numbers of health and safety incidents across the company, maximizing the learning value from our SHER metrics.

Our ambition is to reduce our SHER to no more than 0.25 by the year 2025, a 74% improvement from 2012 levels. This objective is achievable with our continued focus on improving our management systems and building a culture of safety.

IMPROVING OUR COMMUNITIES

“ IT IS OUR RESPONSIBILITY
TO BE A TRUSTED, INVOLVED,
AND CONTRIBUTING MEMBER
OF EVERY COMMUNITY IN WHICH
WE OPERATE. ”

05



OUR APPROACH

“ SABIC’S APPROACH TO IMPROVING
OUR COMMUNITIES IS ALIGNED WITH
THE WAY WE VIEW OUR BROADER
SUSTAINABILITY OBJECTIVES. ”

IMPROVING OUR COMMUNITIES

Healthy and resilient local communities are important to SABIC’s long-term success. Support for our communities allows us to thrive as a global company, as well as secure our social license to operate in different contexts. Being a good corporate citizen means understanding the needs of our communities and leveraging all of our resources, whether it is financial capital or human capital, to create value for society at large.

SABIC’s approach to improving our communities is aligned with the way we view our broader sustainability objectives. We focus our efforts on activities that create social, environmental, and economic value in the areas of community development, disaster relief, education, the environment, and healthcare.

As SABIC continues to globalize rapidly, we are looking for ways to evolve our approach and maximize our positive impact on communities. While philanthropic efforts will always be at the heart of what our company contributes to society, we will place a greater emphasis on activities that meet the needs of our communities, and also align with the strategic priorities of our business.



Investing in local communities in and around our areas of operation represents an investment in SABIC’s long-term business success in high-growth markets like India. I fundamentally believe it creates better linkages with stakeholders critical to SABIC, from community groups, to government, to our own employees. And there are many ways to do it. What SABIC does is provide funding along with expertise and engagement of our employees.

This approach is at the core of all our community activities. In India, we’re focusing on improving education, water management, and healthcare. We’re looking for positive outcomes for society so people understand and can see the benefits which come from having a company like SABIC in their community.

Janardhanan Ramanujalu
Vice President
South Asia and ANZ

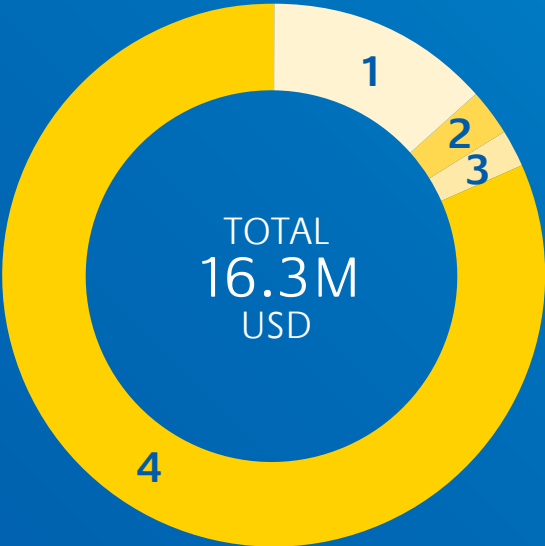


OUR PERFORMANCE

KEY FACTS

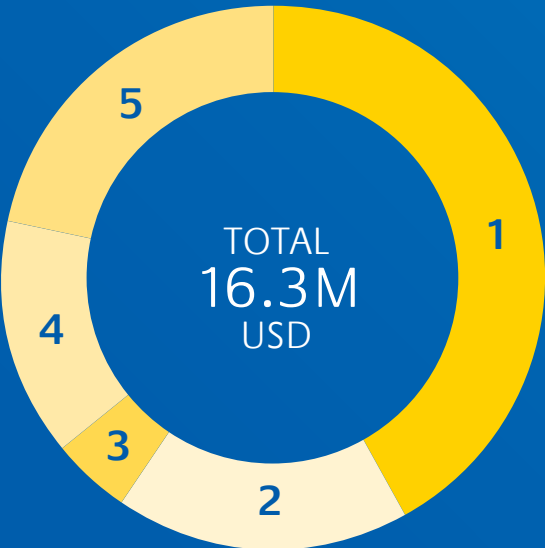
TOTAL CORPORATE CONTRIBUTION BY REGION 2012 USD

1	AMERICAS	\$2,203,000
2	ASIA PACIFIC	\$447,000
3	EUROPE	\$357,000
4	MIDDLE EAST AND AFRICA	\$13,287,000



TOTAL CONTRIBUTION TO SOCIAL DEVELOPMENT 2012 USD

1	COMMUNITY	\$6,898,000
2	DISASTER	\$2,877,000
3	ENVIRONMENT	\$448,000
4	EDUCATION	\$3,384,000
5	HEALTHCARE	\$2,686,000





MAKING A POSITIVE IMPACT

SABIC supported many charitable projects in 2012. When we provide support, we consider five key areas of impact that we can have as a company:

COMMUNITY DEVELOPMENT

We strengthen communities by leveraging our financial resources, and the time and skills of our employees.

DISASTER RELIEF

When our communities face crisis, we rise up and support relief efforts.

EDUCATION

We feel a responsibility to enable scientific education and development in the university systems of KSA and globally. We also support educational opportunities for children.

ENVIRONMENT

Many of the local community-based efforts and much of the scientific research we support are designed to promote a culture of environmental conservation.

HEALTHCARE

SABIC continues to invest in various community-based health initiatives aimed at meeting critical needs.

Below we highlight some of the activities that we supported in these priority areas, either through financial contributions, sponsorships, or employee volunteerism and engagement. In 2013 we will be working to further align our approach to giving with our long-term strategic goals.

CONTRIBUTING TO OUR COMMUNITIES

From local "Community Volunteer Days" to financial contributions, SABIC has continued to enhance the lives of the people in the communities where we work and live.

Employees in the United States participated in the annual United Way Campaign. They pledged payroll deductions and planned events to raise money to disburse to various community nonprofit programs. To show our support, SABIC matched 50% of each US dollar raised. In 2012, employees contributed USD 738,336 and SABIC matched with USD 369,168, bringing the total dollars contributed to USD 1,107,504. SABIC was honored with the 2012 Leader in Philanthropy Award from the Berkshire United Way in the Pittsfield, Massachusetts region.

SABIC also provided a USD 25,000 sponsorship to the Houston Children's Festival to benefit a child-advocacy program.

In KSA, SABIC sponsored a program in Jubail in collaboration with the Women's Social Services Foundation. The objective of the program was to empower creative women in Jubail to contribute to the Kingdom's economic growth by starting their own businesses. A total of 32 women participated in the event and showcased their products, which included crochet, jewelry design, abaya design, and photography.

In China, members of our Employee Engagement Committee (EEC) coordinated a donation drive for employees to contribute to Bethel, an organization that supports orphans in Fangshan, Beijing. Eight committee members visited the orphanage with the donation from SABIC employees and spent time with the orphans to demonstrate our commitment to care.

Volunteers from our Moka plant in Japan helped revitalize Akatsuki Foster Care for children, participated in clean-up activity at the Kinugawa River, and pruned Japanese box trees at the nearby Kinu Waterside Observation Green Field.

In Singapore, the Women's Network organized and rallied more than 40 employees to volunteer at an outdoor art class for underprivileged children. SABIC sponsored art materials and logistics costs for the event, which aimed to help the children express themselves and build confidence through art.

In Korea, our employees got together to form a CSR committee and regularly reach out to the underprivileged communities around the where we operate, such as preparing 700 kg of Kimchi (a Korean traditional dish) for the elderly during winter and encouraging underprivileged students through donations and other activities.

“ WE FEEL A RESPONSIBILITY
TO SUPPORT SCIENTIFIC DEVELOPMENT
AND EDUCATIONAL OPPORTUNITIES
FOR CHILDREN. ”



IMPROVING OUR COMMUNITIES

PROVIDING DISASTER RELIEF

In response to the devastation left behind by Hurricane Sandy in the US, SABIC donated USD 200,000 to the American Red Cross to support relief and recovery efforts throughout the Northeastern United States. In addition, SABIC supported the charitable efforts of employees with a 100% match of individual contributions to the American Red Cross. SABIC donated SR 10 million during a fundraising campaign to support relief for Syrians displaced by the internal turmoil – an effort aligned with the company's commitment to local, regional, and international social responsibility.

SUPPORTING EDUCATION AND RESEARCH

During 2012, SABIC directed significant resources to help strengthen and expand access to science, technology, engineering, and mathematics (STEM) education. In addition to building a strong pipeline of world-class talent for SABIC, these educational efforts support the broader economic and social development of our communities.

Our site in Cartagena, Spain partnered with the local University of Cartagena to promote the sciences among 3 to 18-year-olds. More than 2,500 people attended a two-day event with interactive chemistry workshops, an exhibition stand, and experiments for students of all ages.

In the United States, employees from our Burdette, Alabama; Mount Vernon, Indiana; and Pittsfield, Massachusetts sites encouraged careers in science by hosting science discovery days at nearby schools. Students participated in hands-on experiments demonstrating the role that science plays in our everyday lives. As part of the program, the Burdette site donated USD 3,000 worth of lab equipment and materials to the McKenzie School in Alabama; the Pittsfield team donated 150 Fisher Scientific monocular microscopes to public and private schools to support their science curricula; and the Mount Vernon site donated 675 backpacks full of much-needed school supplies to underprivileged children.

In Korea and Japan, we launched summer-internship programs in conjunction with local universities to provide promising students with leadership and technical-skills development, and introduce them to career opportunities in the chemical industry.

In KSA, SABIC conducted its 'school bag' program in Yanbu for the third consecutive year, benefitting 380 underprivileged boys and girls who received school supplies to support their education. In 2012, the school-bag program covered 14 elementary schools in various villages of Yanbu. SABIC also sponsored the National Olympics for Scientific Creativity, and launched an award for excellence in teaching education.

In Europe, we continued to support educational scholarships and build a pipeline of talented chemical engineers and business students who will enter the chemical industry. For example, we provided funds to enable students to pursue advanced degrees at the Maastricht University in the Netherlands.

“ INVESTING IN LOCAL COMMUNITIES IN AND AROUND OUR AREAS OF OPERATION REPRESENTS AN INVESTMENT IN SABIC’S LONG-TERM BUSINESS SUCCESS IN HIGH-GROWTH MARKETS LIKE INDIA. ”



“ As project manager for the revitalization of the Hosahalli School, I saw first-hand how SABIC has given back to the local community. Our project steering committee worked weekends to spend time on the project, to make sure it was completed on time, to the right quality levels. And now that the project is complete, I go back to visit the school. The children there don’t speak my language, but they recognize me, and they are happy. I’m happy as the school is in good shape, and it has clearly helped our relations with local villagers. ”

Subrato Dey
Project Manager
SABIC Technology Center
Bengaluru



IMPROVING OUR COMMUNITIES

“MANY OF THE LOCAL COMMUNITY-BASED EFFORTS WE SUPPORT ARE DESIGNED TO PROMOTE A CULTURE OF ENVIRONMENTAL CONSERVATION.”



CONTRIBUTING TO A RESILIENT ENVIRONMENT

Many of the local community-based efforts we support are designed to promote a culture of environmental conservation.

In 2012, SAUDI KAYAN held a beach-cleaning campaign at Fanateer Beach in Jubail. The campaign promoted environmental awareness and preservation of the beach and marine environment. Most of this work was conducted in cooperation with Hajr primary school, which helped spread the messages to students and their families.

Also in KSA, we launched a 15-day road-cleaning campaign on the Jubail-Dammam Highway. More than 1,000 SABIC employees joined government agencies to remove waste along the roadside. The cleaning effort included removal and disposal of metal, glass, cans, bags, and other litter.

In the United Kingdom, SABIC took part in the Woodland Trust challenge to plant six million trees in the nation in 2012. SABIC employees organized a Family Tree Planting event for more than 70 people. During that day, families planted trees that will serve as critical shelter for migrating birds.

In the US, SABIC employees in Pittsfield volunteered more than 600 hours to build high-tunnel greenhouses to create an agricultural learning laboratory for schools and community programs.

And in Morocco, SABIC employees demonstrated their desire to engage in local social and environmental work by participating in an environmental clean-up campaign organized by local environmental associations. More than 450 student volunteers participated in the four main activities: collecting and recycling waste, cleaning and reconditioning two public parks, planting and cleaning a youth sports complex, and designing a school wall with artwork.

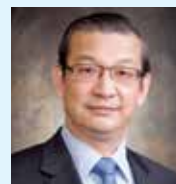
PROMOTING HEALTHY COMMUNITIES

In KSA, SABIC launched a number of initiatives last year with SR 350 million in support, including a Psychiatric Health & Addiction Rehabilitation Hospital, a National Mental Health Survey, SABIC's Cancer Prevention Research Program, SABIC's Scholarship Program for Children with Disabilities, and a Mobile Clinic for the Early Detection of Breast Cancer that will be based in a rural area in the north of the Kingdom.

We also sponsored a training program for pediatricians on ADHD diagnosis and treatment, and raised money for brain-tumor cancer research by supporting employees who participated in the Ventoux3 cycling race.

SABIC was also the main sponsor of a mission aimed at enlightening the public on the causes and consequences of breast cancer and the importance of early detection. As part of the mission, a team of Saudi women climbers scaled

a section of Mount Everest. The mission, which was called “A Women's Journey: Destination Mount Everest,” was completed on May 14 when the 11-member group reached Everest Base Camp at an altitude of 5,340 meters after trekking for 12 hours.



“As Asia continues its strong economic development, there is a realization that this growth also puts great pressure on social and environmental dimensions. Corporate citizens, like SABIC, need to work directly with communities to ensure that growth comes with a balance of meeting environmental and social needs. Our journey to a sustainable future requires us to work together with Asian governments, universities, customers, partners, employees, and communities to achieve prosperity for current and future generations worldwide.”

Li Lei
Vice President
North Asia





IMPROVING OUR COMMUNITIES

CASE STUDY



STRENGTHENING COMMUNITY RELATIONS IN INDIA

India is one of SABIC's fastest-growing markets globally, with 11 offices, one major research and technology center, and one manufacturing facility. In advance of the opening of a new SABIC Technology Center in Bengaluru – which will become SABIC's largest research-and-development center in Asia – we invested in six community projects to build our relationships with the stakeholders around the center and in the country more broadly.

One of the community projects launched in 2012 was a commitment to promote optometry wellness in and around Dommasandra, a village on the outskirts of Bengaluru. This commitment helped fund the Village Eyecare Center. In particular, SABIC equipped the Center with three diagnostic machines and contributed to medical professional training. Today, every week doctors at the facility provide roughly 25 free preliminary eye check-ups and identify about five early cataract detections.

Another investment was the revitalization of the nearby Hosahalli Government Primary School, which suffered from leaking roofs, cracked walls, and inadequate lavatories and infrastructure facilities.

Recognizing that education is a core development need of the community, SABIC, in partnership with Rotary Bengaluru South, commissioned the initiative to reconstruct the school to create a more conducive learning environment for the children.

The refurbished school features two new classrooms, a revitalized assembly hall, a new staff room, a proper canteen, and updated toilet facilities. Prior to the reconstruction, approximately 45 students were enrolled in the school. Now, the school can accommodate 100 students. In addition, better sanitation has encouraged more female students to attend school.

We will continue our investments in Hosahalli Village by constructing a community hall for training on hygiene, nutrition, and safety. We will also build bus shelters along the Attibele-Sarjapur Highway, donate furniture and scientific equipment to five primary schools in the vicinity, and rejuvenate a lake – all of which are important infrastructure investments for improving the livelihoods of the local villages.



IMPROVING OUR COMMUNITIES

“ IN 2013 AND BEYOND,
WE WILL CONTINUE TO SEEK OUT
OPPORTUNITIES TO MEET LOCAL
COMMUNITY NEEDS. ”



LOOKING FORWARD

We believe that our company will only be as successful as the communities that surround us. In 2013 and beyond, we will continue to seek out opportunities to meet local community needs with critical funding, staff support and mentorship, and other company assets.

We will work to ensure that our resources are focused on areas where we can make the greatest social, environmental, and economic impacts on the communities we rely on. One way we will work toward this goal is by exploring opportunities to establish a SABIC Foundation – an effort we believe will help us be more strategic with our community-giving campaigns.

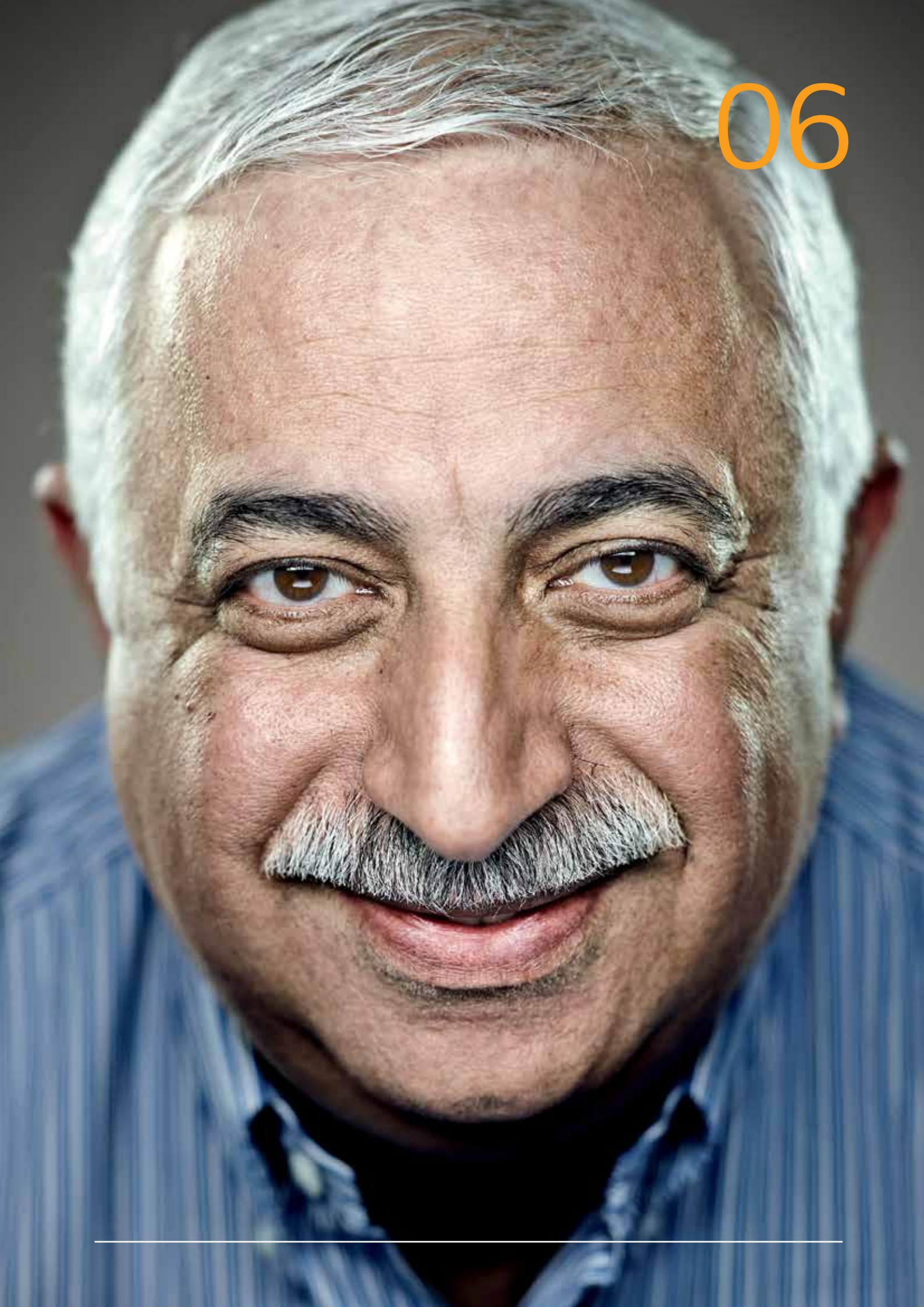
Additionally, we will be developing new KPIs to track our performance on community investments. This year we reported for the first time the total amount of donations made per region. Next year, we will supplement this data with the total number of volunteer hours completed per region, and we will continue to look for new ways to measure our performance.

We will continue enhancing our impact on community development through better alignment of our sustainability goals with community needs.

ADDENDUM

“ WE APPRECIATE THE
GUIDANCE PROVIDED BY THE GRI
AND UNGC FRAMEWORKS AND
THE INSIGHTS FROM MANY EXPERTS
ALONG OUR JOURNEY. ”

06



ADDENDUM

“ DEVELOPING A CULTURE OF
'PEOPLE WHO CAN' IN EVERY ASPECT OF OUR
BUSINESS IS THE ONLY WAY TO ACHIEVE OUR
SUSTAINABILITY GOALS AND OBLIGATIONS. ”



CLOSING REMARKS

This concludes our second SABIC Sustainability Report, our second step toward communication of SABIC's commitment and approach to the environmental, social and economic dimensions of sustainability.

We titled this report "Step by Step" to express our recognition that we are on a journey that will be part of our business for as long as we aspire to be a leading global supplier of chemicals and materials. We also expressed in this report our fundamental belief that developing a culture of "People Who Can" in every aspect of our business is the only way to achieve our sustainability goals and obligations.

We thank the many employees who have contributed to our results and progress in sustainability. And we thank the many dedicated and passionate people outside of our business who have taught and inspired us to make sustainability a key part of our business strategy.

In response to stakeholder expectations we have strived to make this report more transparent, more quantitative, and more aligned with environmental, economic, and social needs of society. We also strived to make this report more of an expression of our strategy and future aspirations. We believe it is the responsibility of our business to apply its resources and skills to develop sustainability solutions. To achieve these solutions we must innovate in all aspects of our business. We will continue to report on these elements in future reports as we achieve a deeper engagement and collaboration with internal and external stakeholders in the process.

This report and our first report have taught us about many ways to improve our business and we count on this learning process to continue. We welcome your participation in this journey.

We sincerely appreciate your feedback on this report, which can be provided at www.sabic.com/sustainability

Kenneth F Miller
SABIC Sustainability GM

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UNGC COMMITMENTS AND ACTIONS

PRINCIPLE	OUR COMMITMENTS AND ACTIONS	REPORT REFERENCE
Principle 1 Support and respect the protection of internationally proclaimed human rights	We are committed to creating and fostering a culture of respect and fair-employment practices that prohibits all forms of illegal discrimination. We must recruit, hire, discipline, dismiss, compensate, promote, and provide other conditions of employment in compliance with applicable laws and in a manner that respects the diversity of our employees.	
Principle 2 Noncomplicity in human-rights abuses		
Principle 3 Uphold the freedom of association and the effective recognition of the right to collective bargaining	Our Fair Employment Practices establish our commitment to: <ul style="list-style-type: none"> – Prohibit illegal discrimination and ensure compliance with all laws and any regional nondiscrimination statements – Ensure that merit and other job-related criteria are the sole basis for all employment-related decisions consistent with law and this policy – Comply with all applicable labor and employment laws including laws regarding child labor, forced labor, and freedom of association – Provide a harassment-free workplace – Respect our employees' privacy rights 	– Ethics and Compliance, labor and human rights, pp. 72-74
Principle 4 Elimination of all forms of forced and compulsory labor	During 2012, SABIC sponsored the first-ever SABIC Women's Network Global Summit in Shanghai, China, to develop the SWN strategy for the coming years. Senior leadership from all regions and SABIC functions attended the two-day summit thus demonstrating SABIC's commitment to a diverse workplace.	– Investing in Our People, the SABIC Women's Network, pp. 68-71
Principle 5 Effective abolition of child labor		
Principle 6 Elimination of discrimination in respect of employment and occupation	Going forward, we shall continue to implement our Fair Employment Practices wherever we do business. During 2013, we shall also undertake a human-rights assessment for the business.	



PRINCIPLE	OUR COMMITMENTS AND ACTIONS	REPORT REFERENCE
Principle 7 Support a precautionary approach to environmental challenges	<p>SABIC has established a number of intensity-based environmental KPIs, for GHG emissions, energy use, water, and waste.</p> <p>SABIC's Metals Business is one of the few steel businesses in the world that has conducted a Life-Cycle Assessment (LCA) on its steel making process and had the assessment 3rd party certified for conformance to the ISO-specified LCA guidelines. As a result, the SBU was able to better understand the environmental impact of all of its products on the basis of a globally understood and accepted methodology which will enable targeted improvements in product design and manufacturing over time.</p>	<ul style="list-style-type: none"> – Protecting Natural Capital, Measuring Our Footprint , pp. 54-60 – Protecting Natural Capital, Spotlight on SABIC's Metals Sustainability Performance, p. 61
Principle 8 Undertake initiatives to promote greater environmental responsibility	<p>SABIC participates in global forums on climate change. In 2012, we attended the Qatar Sustainability Expo, which coincided with the United Nations Framework Convention on Climate Change in Doha. SABIC contributed to the Saudi Arabia pavilion at the Doha Exhibition Center. We also attended Rio+20 and participated in a side event called Business Action for Sustainable Development (BASD).</p> <p>Within our own business, we have established the Manufacturing Center of Excellence (MCE) to share our sustainability efforts across different sites. Through MCE, we have managed to develop a robust data-collection and analysis process for our environmental footprint. And the employee-led "green teams," such as the one at our Pittsfield site in the US, have been reducing water usage through automatic sensors and low-flow faucets, reducing energy consumption through energy-efficient LEDs, and reducing waste by composting kitchen food scraps. We look forward to seeing how we can institutionalize the "green team" effort across all groups of employees in 2013.</p> <p>Finally, many of the local community-based efforts and much of the scientific research we support are designed to promote a culture of environmental conservation.</p>	<ul style="list-style-type: none"> – Protecting Natural Capital, Partner Engagement, p. 45 – Creating Economic Value, Sharing Best Practices Globally, p. 47 – Investing in Our People, Employee Green Teams, p. 76 – Improving Our Communities, Contributing to a Resilient Environment, p. 92

PRINCIPLE	OUR COMMITMENTS AND ACTIONS	REPORT REFERENCE
Principle 9 Development and diffusion of environmentally friendly technologies	<p>We have continued the integration of sustainability into our thinking about the product lifecycle, from selection of raw materials, to design and manufacturing, and finally product use and end-of-life. SABIC is supporting various customers to enhance their sustainability efforts through the products we produce. SABIC's Sustainability Product Qualification process has qualified 25 product families within the Innovative Plastics SBU, and has now been rolled out SABIC-wide. Our Polymers SBU has already qualified six additional products with products from the remaining SBUs to come in 2013.</p>	<ul style="list-style-type: none">– Spurring Sustainability, Sustainability Product Qualification Process, pp. 26-30– Creating Economic Value, Integrating Sustainability into the Product Lifecycle, pp. 38-41
Principle 10 Work against corruption in all its forms, including extortion and bribery	<p>SABIC has a comprehensive set of internal anti-corruption guidelines that prohibit all forms of bribery and facilitation payments in both the public and private sectors.</p> <p>Recently, SABIC became a member of the World Economic Forum's Partnering Against Corruption Initiative (PACI). PACI is a global, multi-stakeholder anti-corruption initiative set up to raise business standards and to contribute to a competitive, transparent, accountable, and ethical business society. The initiative requires its member companies to adopt a zero-tolerance policy toward bribery and corruption, as well as an internal anti-corruption program.</p> <p>As part of our training program, in 2012 over 5,000 employees were trained in a range of topics, including anti-corruption, anti-dumping, compliance investigations, and intellectual property.</p> <p>We also conducted a series of anti-fraud and anti-corruption awareness sessions for more than 320 of our employees in Riyadh, Jubail, and Yanbu. These sessions helped to develop the necessary knowledge and skills to recognize and combat fraud across the organization and safeguard the organization's assets.</p>	<ul style="list-style-type: none">– Creating Economic Value, Leading on Anti-Corruption in the Middle East, p. 46

ADDENDUM



GRI CONTENT INDEX

STANDARD DISCLOSURES	SECTION
1. STRATEGY AND ANALYSIS	
1.1 Statement from the most senior decision-maker of the organization	Chairman's Statement; Vice Chairman and Chief Executive Officer Q&A
1.2 Key impacts, risks, and opportunities	Chairman's Statement; Vice Chairman and Chief Executive Officer Q&A; Our Sustainability Vision and Strategy
2. ORGANIZATIONAL PROFILE	
2.1-2.10 Organizational profile	About this Report; Organization Overview; Chairman's Statement; Key Events from 2012; External Awards and Recognition(various); SABIC's 2012 Annual Report
3. REPORT PARAMETERS	
3.1-3.11 Report scope	About this Report – Reporting Period, Scope, and Boundaries; Vice Chairman and Chief Executive Officer Q&A; Our Sustainability Vision and Strategy
3.12 Profile of the report – including implementation of GRI principles	GRI Index
3.13 External assurance	About this Report – Reporting Period, Scope, and Boundaries; Independent Assurance Report
4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT	
4.1-4.10 Governance structure of the organization	Our Sustainability Vision and Strategy – Governance and Ethics; additional information can be found online: http://www.sabic.com/corporate/en/ourcompany/boardofdirectors/
4.11 Precautionary principle	Creating Economic Value – Integrating Sustainability into the Product Lifecycle. SABIC also has an Enterprise Risk Management process and organization within the Corporate Control function.
4.12 Externally developed ESG charters, principles, or other initiatives to which the organization subscribes or endorses	About this Report – Reporting Frameworks
4.14-4.17 Identification, type, and frequency of stakeholder engagement	Our Sustainability Vision and Strategy – Materiality Process and Stakeholder Engagement

ADDENDUM

STANDARD DISCLOSURES (CONTD.)	SECTION (CONTD.)
ECONOMIC	
DMA EC Management approach	Our Sustainability Vision and Strategy – Our Journey; Creating Economic Value
EC1-EC4 Economic performance	SABIC's 2012 Annual Report
EC8 Infrastructure investments and services for public benefit	Creating Economic Value; Improving Our Communities
EC9 Significant indirect economic impacts	Creating Economic Value; Improving Our Communities
ENVIRONMENT	
DMA EN Management approach	Our Sustainability Vision and Strategy – Our Journey; Protecting Natural Capital; Creating Economic Value – Ensuring Safe and Reliable Products
EN3, EN4 Direct and indirect energy consumption	Protecting Natural Capital – Measuring Our Footprint
EN6, EN7 Initiatives to reduce energy consumption	Our Sustainability Vision and Strategy; Creating Economic Value; Protecting Natural Capital
EN8 Total water withdrawal by source	Protecting Natural Capital – Measuring Our Footprint
EN16-EN20 Significant air emissions and initiatives to reduce them	Protecting Natural Capital – Measuring our Footprint; Our Sustainability Vision and Strategy – Spurring Sustainability
EN22 Weight and type of waste and disposal method	Protecting Natural Capital – Measuring our Footprint
EN26 Initiatives to mitigate environmental impacts of products and services	Sustainability Vision and Strategy; Creating Economic Value
EN29 Significant environmental impacts of transporting products, workforce, and other goods and materials	Creating Economic Value
LABOR PRACTICES AND DECENT WORK	
DMA LA Management approach	Investing in Our People; additional information can be found online: http://www.sabic.com/corporate/en/careers/why-sabic/inclusive-working-environment
LA1 Employee profile and diversity	Investing in Our People



STANDARD DISCLOSURES (CONTD.)

LA7 Health and safety data and programs

SECTION (CONTD.)

Investing in Our People – Continuously Improving on Health, Safety, and Security in Our Operations.

LA11 Programs for skills management and lifelong learning

Investing in Our People

LA13 Diversity

Investing in Our People

HUMAN RIGHTS

DMA HR Management approach

Our Sustainability Vision and Strategy – Governance and Ethics; Investing in Our People – Continuously Improving HSS of Our Operations; Protecting Natural Capital – Partner Engagement; additional information can be found online: <http://www.sabice.com/corporate/en/careers/why-sabice/inclusive-working-environment>

HR5-HR7 Freedom of association and collective bargaining; Child labor; Forced and compulsory labor

Our Sustainability Vision and Strategy – Governance and Ethics; Appendix – UN Global Compact Review

SOCIETY

DMA SO Management approach

Improving our Communities; Creating Economic Value – Leading on Anti-Corruption in the Middle East; Our Sustainability Vision and Strategy – Governance and Ethics

SO2-S04 percentage of employees trained in organization's anti-corruption policies and procedures and actions taken

Our Sustainability Vision and Strategy – Governance and Ethics

PRODUCT RESPONSIBILITY

DMA PR Management approach

Creating Economic Value – Ensuring Safe and Reliable Products; Our Sustainability Vision and Strategy – Governance and Ethics

PR1 Health and safety impacts of products and services

Creating Economic Value – Ensuring Safe and Reliable Products

PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements

Sustainability Vision and Strategy – Spurring Sustainability; Creating Economic Value

PR6 Responsible marketing behavior

Creating Economic Value – Pressing Forward on Responsible Care®

INDEPENDENT ASSURANCE REPORT

To the readers of the SABIC Sustainability Report

We were engaged by Saudi Basic Industries Corporation (further 'SABIC') to provide assurance on selected indicators in the Sustainability Report 2012 (further 'The Report'). The management is responsible for the preparation of The Report. Our responsibility is to issue an assurance report based on the engagement outlined below.

Scope

Our assurance engagement was designed to provide limited assurance on whether the 2012 information for the following indicators is presented, in all material respects, in accordance with the reporting criteria:

- The total absolute values and the intensity values (per metric tonne of product sales) at SABIC corporate level of the Environmental Footprint indicators:
 - Energy consumption (p. 15, 54)
 - Greenhouse-gas emissions (p. 15, 54, 57)
 - Water usage (p. 15, 57)
 - Material loss (p. 15, 58)
- The SABIC corporate values of the Environmental, Health, Safety, and Security indicators:
 - Total Recordable Incident Rate (p. 15, 78)
 - Safety, Health and Environment Rate (SHER) (p. 15, 77)

The data for these indicators are shown by an asterisk (*) on the pages mentioned above, together with the text 'Within KPMG assurance scope'.

We do not provide any assurance on the achievability of the objectives, targets and expectations of SABIC in respect of these selected indicators.

Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance.

Reporting criteria and assurance standard

SABIC applies the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative. It is important to view the performance data in the context of these criteria. We conducted our engagement in accordance with the International Standard for Assurance Engagement (ISAE 3000): Assurance Engagement other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. This standard requires, among others, that the assurance team possesses the specific knowledge, skills and professional competencies needed to provide assurance on sustainability information, and that they comply with the requirements of the Code of Ethics for Professional Accountants of the International Federation of Accountants to ensure their independence.



Work undertaken

Our procedures included the following:

- A risk analysis, including a media search, to identify relevant sustainability, environmental, health & safety and social issues for SABIC in the reporting period;
- Evaluating the design and implementation of the systems and processes for the collection, processing and control of the information in the Report, including the consolidation of the data for selected indicators in the Report;
- Interviews with relevant staff at corporate and local level responsible for providing the information in The Report, carrying out internal control procedures on the data and consolidating the data in The Report.
- Visits to eight production sites in three countries to review the source data and the design and implementation of controls and validation procedures at local level.
- Visits to corporate headquarters to review the design and implementation of controls and validation procedures at corporate level.
- Evaluating internal and external documentation, based on sampling, to determine whether the information in The Report for selected indicators is supported by sufficient evidence.
- An analytical review of the data and trend explanations submitted by all production sites for consolidation at corporate level.

During the assurance process we discussed the necessary changes in the Report and reviewed the final version of the Report to ensure that it reflects our findings.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention to indicate that the 2012 information in the Report for the selected indicators (listed in the section named ‘Scope’) is not presented, in all material respects, in accordance with the reporting criteria.

Comparative information not examined

No assurance engagement was performed on prior years’ information of the selected indicators. Therefore we do not provide assurance on the comparative information regarding the selected indicators.

Amsterdam, 4 September 2013
KPMG Sustainability,
Part of KPMG Advisory N.V.
W.J. Bartels RA, Partner





SABIC

PO Box 5101

Riyadh 11422

Kingdom of Saudi Arabia

T +966 (0) 11 225 8000

F +966 (0) 11 225 9000

E info@sabic.com

www.sabic.com



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www.fsc.org
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