

CHEMISTRY THAT MATTERS™



# CREATING LASTING VALUE

SUSTAINABILITY REPORT 2013





## CREATING LASTING VALUE

This is SABIC's third annual sustainability report. It describes our continuous evolution in our initiatives and processes to create lasting value across the economic, natural, human, and social dimensions of sustainability.

SABIC believes that our actions and our vision today play a significant role in ensuring the success of future generations. It requires us to innovate, to conserve, to collaborate, and to develop an inspired workforce. It requires us to demonstrate the values and behaviors that look to securing the future.

# ABOUT THIS REPORT

With this 2013 Sustainability Report, we have maintained consistency in format and scope – for the sake of comparability – while also broadening the coverage of our sustainability strategy, metrics, and stakeholder collaboration examples. In addition, the SABIC Sustainability Council brought the report's release forward in order to enhance its usefulness to stakeholders and to tie this report closer to the release of our financial reporting. The content of the report is based on the requirements of international reporting frameworks, and also on feedback received from a range of internal and external stakeholders. These stakeholders include dozens of SABIC employees in each of our four operating regions, NGOs, investor groups, customers, and industry associations. The theme of this report is "Creating Lasting Value." This emphasizes our continued focus on enduring sustainability. Genuine value is in solutions that last longer and do more. We have to deliver it in all its natural, financial, human, and social strands for SABIC and its stakeholders.

## REPORTING PERIOD, SCOPE, AND BOUNDARIES

This report was published in June 2014 and covers our sustainability performance for the 2013 fiscal year: 1 January 2013 to 31 December 2013. Content in this report covers the SABIC businesses and operations that are financially consolidated in our 2013 Annual Report, available at <http://www.sabic.com/corporate/en/investorrelations/>.

We believe external assessments enhance our sustainability reporting, and for the last three years we have used KPMG to increase our confidence in the data concerning SABIC's global footprint. This data covers four metrics – energy consumption, greenhouse-gas (GHG) emissions, fresh-water usage, and material loss – which are collected and internally verified using robust processes. For this 2013 Sustainability Report, KPMG provided limited assurance on these four sustainability footprint metrics and intensities, as well as on selected corporate environment health, safety and security incident metrics, and our Recordable Incident Rate. The assurance report is found in the Addendum to this Report.

## REPORTING FRAMEWORKS

We utilized the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines to direct the selection and organization of content for this report. We are self-declaring to be 'In Accordance – Core' with the Guidelines. A complete GRI Content Index can be found on the SABIC Sustainability website.

In addition, we have used the International Integrated Reporting <IR> Framework to capture the various dimensions of value creation by SABIC on our journey to creating lasting value: economic, natural, human, and social. Consequently, we have structured the report around five key chapters: Sustainability Vision and Strategy; Creating Economic Value; Protecting Natural Capital; Developing Human Capital; and Building Social and Community Relationships. Furthermore, SABIC joined the UN Global Compact in June 2012. This is a practical framework for the development, implementation, and disclosure of sustainability practices and policies endorsed by chief executives from some of the world's largest companies. We are using this 2013 Sustainability Report as our official UN Global Compact Communication on Progress. An overview of how we are meeting our UNGC commitments and actions is available on the SABIC Sustainability website.

## REPORT GOVERNANCE

The SABIC Sustainability Report is governed by an Executive Advisory Committee, led by our CEO and Vice-Chairman. The committee is made up of the CEO, the Corporate Communications VP, and several SBU and Corporate Function EVPs. The Report's Executive Advisory Committee meets several times during its development to approve the strategy, messaging, and content, and to ensure that all material aspects of SABIC's sustainability effort are effectively and accurately reported.

To learn more about SABIC's sustainability activities and performance online, visit [http://www.sabic.com/corporate/en/sustainability/sustainability\\_report](http://www.sabic.com/corporate/en/sustainability/sustainability_report).

#### NATURAL CAPITAL

- Protecting the environment and ecosystems from degradation
- Conserving natural resources

#### FINANCIAL CAPITAL

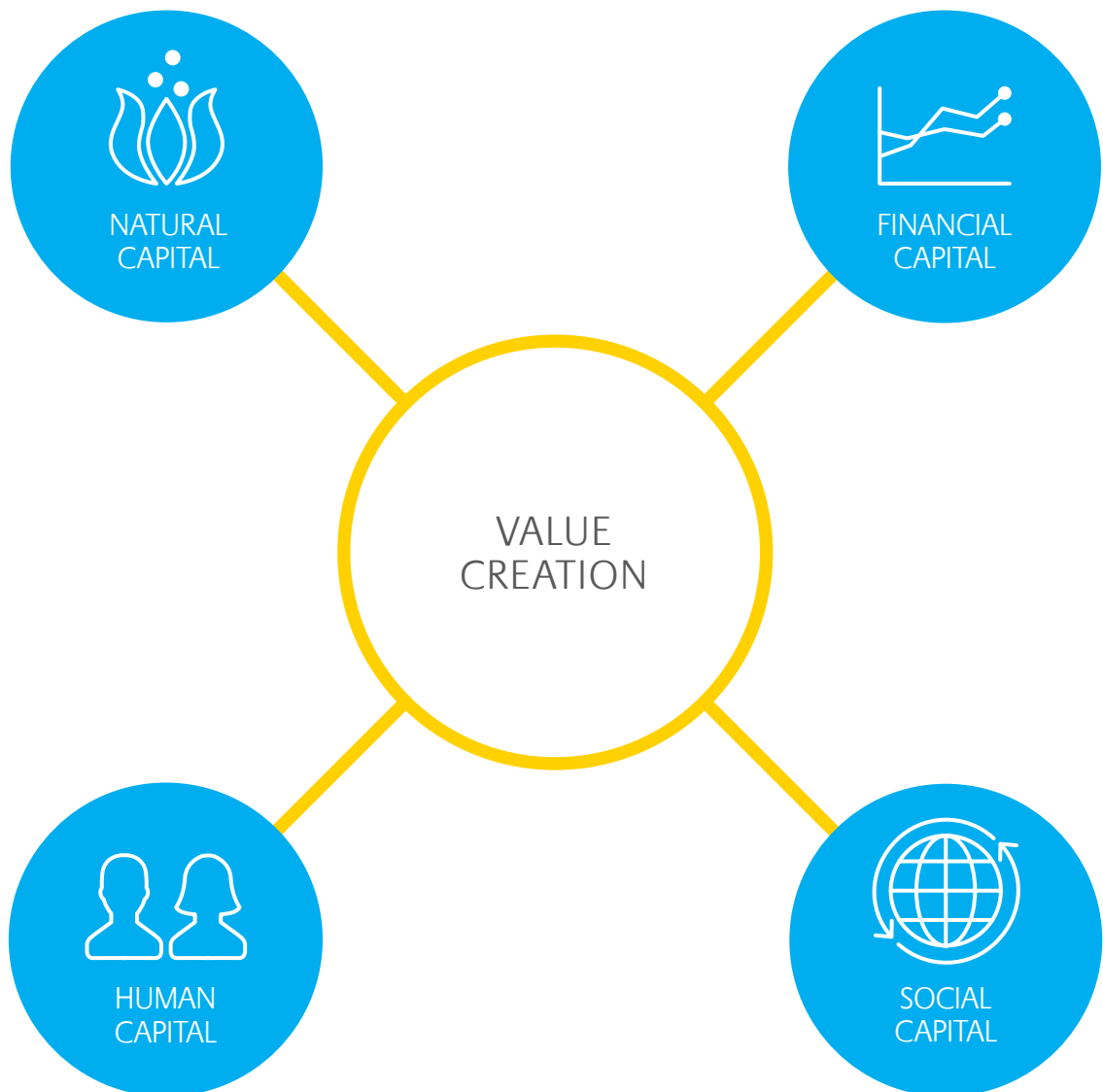
- Creating economic value through our investments
- Providing innovative solutions

#### HUMAN CAPITAL

- Building the competencies, experience, and motivation of employees
- Expanding the intellectual knowledge-based assets of the organization

#### SOCIAL CAPITAL

- Building relationships with and between communities
- Collaborating to achieve collective results and well-being



THESE ICONS WILL BE SEEN THROUGHOUT THE REPORT, HIGHLIGHTING SABIC STORIES THAT CREATE VALUE WITHIN SABIC'S NATURAL, FINANCIAL, HUMAN, AND SOCIAL STRANDS.



# CHAIRMAN'S WELCOME



PRINCE SAUD BIN ABDULLAH  
BIN THENAYAN AL-SAUD  
CHAIRMAN

I am pleased to introduce our third Sustainability Report: “Creating Lasting Value.” This is a phrase that defines the very essence of SABIC.

We have been on an incredible journey of achievement since our founding in 1976, and we know from our history that realizing success is rewarding, but does require hard work and dedication.

We believe that our experiences in building this company from humble beginnings provide valuable lessons in how we approach our critical journey towards a sustainable business and a sustainable world.

“  
SUSTAINABILITY IS  
ABOUT CONTINUING  
TO CREATE VALUE INTO  
THE FUTURE, BASED ON  
EFFECTIVE RESOURCE  
STRATEGIES TODAY.  
”

SABIC has prospered in the marketplace because we have successfully created value for society – by providing products and services that help people live better and more comfortably. As a result of that success, we have also created jobs and opportunities for our employees and the communities in which they live and work.

Sustainability is about continuing to create value into the future, based on an effective use of the resources available today. And much like our 2012 Sustainability Report, this year we have focused our attention not only on creating economic value, but also on environmental, human, and social value.

It is typical for a business to focus on its financial and manufacturing assets – economic capital. In other words – to judge the health of its operations. However, the world has come to realize that business health and sustained value creation depend on other vital forms of capital as well. Natural capital is made up of the resources and ecosystems of the planet that are required to make our products. Human capital includes the productive and intellectual capacities of our employees, both inherited and acquired through education and training. Finally, social capital refers to the relationships, collaborations, and shared values we develop with all the organizations we interface or network with.

The successful development and active management of each of these capitals enables a company to sustain itself, and the planet and people it relies on, as well as to continue to generate economic value. Together they form what we refer to as sustainable value “capital” creation.

Each of the elements affects the others in various ways, and understanding these connections is vital in order to make the most of them. For instance, our ongoing effort towards energy and water efficiency in operations saves money or expands capacity, while also reducing the environmental burden and freeing up resources for use elsewhere within our communities. In a similar way our investment in innovation creates human and intellectual capital, which enables solutions to society’s needs and environmental issues, and drives the economic growth of our business.

As we continue our mission to maintain and build our global chemical business position, we realize how important it is for us to focus on strategic priorities that will meet the expectations of an ever-changing global business environment. As I described this time last year, our focus on sustainability is central to our business strategy. Only through achievements on this issue can we be assured that we will become more global, and more distinctive in our product offerings, and that we will grow in the markets we serve.

Never before have people, technology, capital, information, and products moved more freely across international boundaries. This freedom of movement has minimized past economic, geographic, and cultural advantages and disparities. It creates a world where transparency in communication, collaboration, strong relationships, and action determine success.

SABIC is actively responding to this new environment. To do this we depend on the capabilities and motivations of our highly skilled employees and committed stakeholders. I thank you for your achievements that are reflected here, and for those that are sure to come. I also thank all our stakeholders for their contributions to and confidence in SABIC. With the evidence of the priorities and actions in this report, we hope you will agree that we remain committed to creating value for you.

# VICE CHAIRMAN AND CEO INTERVIEW



**MOHAMED AL-MADY**  
VICE CHAIRMAN &  
CHIEF EXECUTIVE OFFICER

## WHAT GLOBAL TRENDS CONCERN YOU AND WHAT DO OUR STAKEHOLDERS EXPECT OF SABIC?

I participate in a number of global forums in which leading international thinkers and experts reflect on the state of the world from an economic, environmental, and social perspective. What I hear in these meetings – from corporate peers, stakeholders, and governments around the globe – provides a very sobering view of our collective future. But I also see many possibilities where companies like SABIC, which produce products and technology that touch so many lives, are able to play a large part in solving many of the problems we are encountering now and will encounter in the future. Sustainable development is, therefore, as much of an opportunity as it is a challenge. Critical issues like energy scarcity, food security, population growth, water availability, and resource recovery, to name just a few, offer incredible prospects for us to develop innovative solutions to address society's most pressing challenges.

Resource management and environmental responsibility are not only a matter of being a good corporate citizen. These themes are also about business profitability and sustainable growth. Take waste management, for example: if you do not produce waste, it does not consume raw materials or energy; it does not need to be isolated, packaged, stored, or shipped; it does not need to be treated or disposed of; and it does not require your scientific and engineering resources to deal with it. Our manufacturing team in Moka, Japan, has shown great strides in waste reduction through initiatives to

reduce, reuse, and recycle waste from manufacturing and office operations such as tools and equipment. With effective sustainability solutions like this, everyone wins. Costs for the consumer are reduced. Product value is increased. Jobs are secured or created.

Our stakeholders – investors, corporate affiliates, employees, customers, communities where we operate – all expect us to “do the right thing”, and to adapt, innovate, and grow our business. Ensuring a successful sustainability strategy is an inherent part of our business model: a business model designed to guarantee that we are doing our best for society and the environment, and that we have the right products and processes to grow our business.

## WHAT DO YOU VIEW AS THE MOST STRATEGIC SUSTAINABILITY PRIORITIES FOR SABIC FOR 2014 AND BEYOND?

During 2013 we undertook a comprehensive materiality assessment to answer this very question. Whenever a business goes through an exercise like this, it offers great opportunities for learning and knowledge sharing across functions and business units. In fact, our overall business strategy is designed to better focus our efforts on sustainability priorities, which is what will help us realize our future ambitions. The content of this report is designed to reflect our priorities.

As I have already noted, we see resource and energy-efficiency as critical priorities for our business, and it is for this reason we have set ambitious goals to reduce our overall environmental footprint. We want to continue to access competitive feedstock opportunities around the world, and to be as efficient as we can be with them. Another priority area for us is in the supply chain, both in relation to procurement practices and to our distribution and logistical efficiency.

The materiality process we underwent helped ensure that our business and sustainability strategies are perfectly aligned. In 2014 we are strengthening the initiatives, processes, and metrics around our highest materiality priorities.

## HOW DO YOU VIEW THE ROLE OF INNOVATION IN YOUR STRATEGY FOR SUSTAINABILITY?

Everyone can dream and imagine different and better ways of doing something. This recognition of possibilities is a key both to innovation and sustainability. The responsibility of the SABIC management team is to provide the type of atmosphere that allows individuals to explore pioneering ideas and make them reality. For example, securing food to eat and water to drink, energy, employment, healthcare, and a clean environment for the world's 7+ billion people is a challenge for all of us. That challenge grows more serious as we contemplate the global megatrends to 2030 and beyond. The prospect of climate change, declining biodiversity, and vanishing resources requires society to invest in better, more effective, and innovative ways



of doing things. For SABIC, in the short term, this means better use of our feedstocks in the operations we run, and deploying products to help our customers be sustainable. Longer term, it requires much more fundamental design changes to the processes, products, and services we provide across the value chain. This demand for innovative solutions also extends to our leadership of human resources and intellectual capital, as well as to our collaboration with the whole network of relationships required to support our business.

Investing in innovation is part of our strategic commitment to work together with customers and industry segments to continuously improve technology, applications and solutions. For example, in 2013, SABIC opened two new innovation centers with a combined investment of US\$200 million – one in Shanghai, China, and the other in Bengaluru, India. SABIC also opened two new innovation centers in Saudi Arabia – the SABIC Plastics Development Application Center at the Techno Valley, King Saud University, Riyadh, and the Corporate Research & Innovation Center at the King Abdullah University of Science and Technology in Thuwal. These new centers bring SABIC's total number of research facilities around the world to 18, all designed to bring technologically advanced and pioneering products to our customers. In addition, SABIC has signed partnerships with educational institutions across the globe to bring together the best of academic thinking and industry expertise.

#### WHAT DO YOU VIEW AS SABIC'S MOST SIGNIFICANT ACHIEVEMENTS IN SUSTAINABILITY?

In previous reports we highlighted how SABIC products enable our customers to advance their own sustainability goals: for example, through developing materials that reduce the weight of product components used by the transportation sector, thus lowering GHG emissions. We are also making progress with our product sustainability solutions in other market segments, like electronics, packaging, building and construction, agriculture, and healthcare. Many of these are discussed in detail throughout this report.

Upstream, we are focusing on improving our manufacturing and operational activities. We are also dedicated to improving our overall environmental footprint and the management of resources we use. The measurement of our energy use and water use, as well as our GHG emissions and waste footprint, continues to improve, but our results are not up to our target levels. I expect to see greater progress in the future. We did complete our commitment to several large investments in various regions to make huge changes in our footprint. I am especially proud of our investments to capture and use by-product CO<sub>2</sub> from our chemical facility in Jubail, achieving the largest capacity from a chemical facility ever announced for this purpose. These investments not only reduce our environmental burden, but also deliver economic and community benefits.

I am also pleased to point out the progress being made in other high-priority areas of sustainability. We are making major strides in areas such as supply-chain processes, product safety, diversity, and volunteer support to communities from our employees, all of which we discuss later in this report.

#### THIS REPORT AND THE 2012 REPORT ALSO LINK VALUE CREATION TO HUMAN CAPITAL AND RELATIONSHIP CAPITAL DEVELOPMENT. WHY IS THIS IMPORTANT?

Our journey has been and continues to be about the importance we place on innovation and doing things differently and better. You cannot rise to that challenge without employees who have the skills, tools, and motivations to succeed. Education, mentorship, diversity, and inclusiveness all help shape the capability of our workforce today and into the future. We must reward those who display our SABIC values and apply them to the sustainability opportunities that will drive our business performance. It is very clear that without the most capable people worldwide, we will not reach our full value creation potential.

“  
OUR BIGGEST CHALLENGE IS TO EMBRACE THE FACT THAT SUSTAINABILITY MEANS DOING EVERYTHING BETTER.  
”

We are also very dependent on collaborative relationships with all our stakeholders across the value chain. Those relationships need to be nurtured in an atmosphere of the highest integrity and fair business practices, supported by strong business processes such as ethics training, supply-chain management, and product safety – all of which inspire confidence in our business. We are dedicated to these elements and to being a strong corporate citizen for all our stakeholders.

#### WHAT ARE THE MOST PRESSING CHALLENGES AND OPPORTUNITIES ON SABIC'S ABILITY TO CREATE LASTING VALUE?

Our biggest challenge is to embrace the fact that sustainability means doing everything better than we do today. Doing things better requires a culture of innovation. Economic, natural, human and social capital will define where we need to be fundamentally excellent in resource management, and materiality will guide us to set the right priorities. As we focus on the priorities defined in this report, we must create improvement initiatives and processes, then turn them into reality through clear goals and rigorous execution. For a successful sustainability journey, we have no choice other than to have the most resource-efficient manufacturing processes; a differentiated portfolio of sustainable product solutions; highly-skilled and motivated employees; and effective relationships across the value chain. This is a complex recipe, but we have delivered incredible results so far over the brief history of SABIC, and we can and must continue to do so.

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01

# ABOUT SABIC





# SABIC OVERVIEW

SABIC is one of the world's most successful petrochemical companies. We are not only ranked among the top producers of polyethylene, polypropylene, advanced thermoplastics, glycols, methanol, and fertilizers. We are also one of the largest producers of steel in the Middle East. Our size and success are directly connected to our vision and our mission: to be the preferred supplier of chemicals and materials, and to provide quality products and services responsibly – through innovation, education, collaboration, and operational excellence. And we aim to achieve all this while sustaining maximum value for our stakeholders.



2<sup>ND</sup>

LARGEST DIVERSIFIED  
CHEMICAL COMPANY



40,000

EMPLOYEES



45

COUNTRIES

Saudi Basic Industries Corporation ("SABIC") is a Saudi Joint Stock Company established pursuant to Royal Decree Number M/66 dated 13 Ramadan 1396H (Corresponding to 6 September 1976) and registered in Riyadh under commercial registration No. 1010010813 dated 14 Muharram 1397H (corresponding to 4 January 1977). SABIC is 70% owned by the Government of the Kingdom of Saudi Arabia and 30% by the private sector. SABIC and its subsidiaries (the "Group") are engaged in the manufacturing, marketing, and distribution of chemical, fertilizer, and metal products in global markets. The Group's head office is located in Riyadh, Kingdom of Saudi Arabia.

# OUR STRATEGIC BUSINESS UNITS



## CHEMICALS

### PRODUCTS

Chemicals is our largest Strategic Business Unit (SBU), representing over 60% of SABIC's total production value. We produce olefins, industrial gases, aromatics, chlor-alkali, glycols, and oxygenates.

### MARKETS

Our chemicals are used to create end-products that are incorporated into everyday applications including plastics, packaging materials, fuels, antifreeze, paper, and textiles.

### 2013 SUSTAINABILITY HIGHLIGHT

SABIC announced the United CO<sub>2</sub> Capture and Utilization project in the Kingdom of Saudi Arabia, which will be the world's largest chemical CO<sub>2</sub> recovery plant. The 500,000 MT of by-product CO<sub>2</sub> will be used internally and sold externally. A major investment in cracker efficiency was also made in the Netherlands.



## PERFORMANCE CHEMICALS

### PRODUCTS

The Performance Chemicals business produces specialized chemicals and derivatives, including: alcohols, amines, ethoxylates, acrylonitrile, linear alpha olefins, urethanes, plasticizers, acrylic acid, MMA, elastomers, carbon black and carbon fibers, and catalysts.

### MARKETS

Our products are tailor-made for applications in healthcare, transportation, automotive, electrical, lighting, and consumer electronics industries.

### 2013 SUSTAINABILITY HIGHLIGHT

Big steps forward have been made in the implementation of several materials for energy saving applications: elastomers for high-efficiency tires and carbon fiber for lighter-weight transportation.



## INNOVATIVE PLASTICS

### PRODUCTS

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.

### MARKETS

Our products are used in engineering applications in almost every area of modern-day life, such as LED lighting, automotive and transportation safety applications, electronics, building and construction, and healthcare.

### 2013 SUSTAINABILITY HIGHLIGHT

A co-generation project was announced for SABIC's largest site in the United States which will reduce GHG emissions of the site by over 35%. Furthermore, several energy-saving investments were made across other sites globally.

# OUR STRATEGIC BUSINESS UNITS



## POLYMERS

### PRODUCTS

The Polymers business converts SABIC monomers into a wide range of polymers, including high- and low-density polyethylene, polypropylene, polystyrene, PVC, and polyesters that serve a huge range of markets and applications.

### MARKETS

Our products create safe, high-performance materials to support a range of applications in food and beverage packaging, water handling, transportation, healthcare, and consumer products.

### 2013 SUSTAINABILITY HIGHLIGHT

Five new polymer products were qualified as sustainability product solutions in 2013. Sustainability features included energy savings and material efficiency.



## FERTILIZERS

### PRODUCTS

The Fertilizers business supplies a comprehensive portfolio of products that include urea, ammonia, phosphate, and compound fertilizers. With over 6.7 million tons per annum of gross production capacity, SABIC is one of the world's leading fertilizer producers.

### MARKETS

Our products serve primarily the agricultural market by helping farmers produce more food, more efficiently.

### 2013 SUSTAINABILITY HIGHLIGHT

Construction started on a new standalone urea plant which will bring large improvements in GHG emissions, as well as energy and water intensity. We reduced emissions of ammonia and urea particulates from existing facilities and launched product for transportation and higher-efficiency farming.



## METALS

### PRODUCTS

SABIC is one of the Middle East's leading steel producers, with a portfolio consisting of both long and flat products.

### MARKETS

Our long-steel products are used in construction, such as our high-strength rebars that optimize reinforcement density in high-rise structures. Our flat-steel products are used in a range of applications from home appliances to cars and pipe manufacturing.

### 2013 SUSTAINABILITY HIGHLIGHT

The Metals business sites achieved an 8% reduction in GHG emissions and energy usage, 6% reduction in water consumption and 26% reduction in material waste compared to a 2010 baseline, improving their operational efficiency and delivering against targets.

# OUR VALUES

To transform the challenges of sustainability into opportunities, we need people with the right skills and values. We have defined these core values that we stand for, and we use them as the standards against which we are measured. We believe these values enable us to create sustainable value for our stakeholders.

## INSPIRE

GENERATING  
EXCITEMENT AND  
COMMITMENT

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

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

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

## ENGAGE

CONNECTING  
WITH OTHERS TO  
ACHIEVE MORE

Use internal and external networks to establish collaborations and leverage resources

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

Invite colleagues to support volunteer efforts in our communities

## CREATE

SEEKING  
NEW WAYS OF  
DOING THINGS

Champion changes that address risks and opportunities across a changing landscape

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

Accept, adapt, and translate ideas from anywhere to solve problems

## DELIVER

TAKING  
RESPONSIBILITY  
TO MAKE  
THINGS HAPPEN

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

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

Apply ingenuity and persistence to overcome barriers to solutions

## VALUE CREATION



NATURAL



FINANCIAL



HUMAN



SOCIAL

# SUSTAINABILITY GOVERNANCE

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

The Vice-Chairman and CEO of SABIC, Mohamed Al-Mady, has direct oversight of all aspects of the business. He is supported by an Executive Committee made up of Strategic Business Unit (SBU) and Corporate Function Executive Vice Presidents (EVPs) and Vice Presidents (VPs). This Executive Committee meets monthly to cover standard governance aspects of the business, and on a defined schedule for specific themes or sub-committee topics. The SABIC Sustainability Council is one of the Executive Sub-Committees.

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

## SUSTAINABILITY COUNCIL

Our Sustainability Council is chaired by the Vice-Chairman and CEO, and includes executives from our six SBUs and six corporate functions. Together they ensure that sustainability is integrated throughout our business, and that we take a consistent approach to sustainability in all regions, businesses, and functions. The Council is responsible for setting our sustainability vision, priorities and goals, as well as being accountable for performance against sustainability goals, and for approval of Corporate Sustainability Department (CSD) and Steering Committee recommendations. The Sustainability Council meets twice a year to review SABIC's sustainability strategy and to discuss progress against Key Performance Indicators (KPIs) and project milestones. The Vice-Chairman and CEO schedules reports on various aspects of sustainability to the SABIC board of directors, at his discretion.

## STEERING COMMITTEE

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

## CORPORATE SUSTAINABILITY DEPARTMENT (CSD)

The CSD includes employees who are dedicated full-time to sustainability. As experienced leaders they are responsible for designing and ensuring consistent processes and tools across all of SABIC. They also provide expertise in sustainability standards and trends, and lead opportunity and risk analysis across the value chain. In addition, they represent SABIC in a variety of business organizations focusing on sustainability issues, including the World Business Council for Sustainable Development (WBCSD), Plastics Europe, Business for Social Responsibility (BSR), the Sustainability Consortium and the United Nations Global Compact (UNGC). Some CSD leaders also act as our regional advocates, discovering and serving the different needs of stakeholders in the Middle East and North Africa (MENA), the Americas, Europe, and Asia. Other CSD leaders are responsible for specific skill areas, such as Life Cycle Assessments (LCAs). The CSD is led by a General Manager, who reports to Ernesto Occhiello, Executive Vice President, Technology and Innovation, who reports directly to the SABIC CEO.



## TOPIC SUB-TEAMS

Topic Sub-Teams are formed by the Sustainability Council or by individual Council members. Their task is to provide critical content for SABIC's sustainability process and strategy. Sub-Teams include the Sustainability Report team led by CSD, the Footprint team led by our Manufacturing Center of Excellence, and the Sustainability Product Qualification team led by CSD. The roles of these groups are discussed in various sections of this report.

## FUNCTIONAL ACCOUNTABILITY

Our sustainability process is supported by many teams that are accountable for critical business processes, and also for particular aspects of this report. The players include EHSS, Corporate Communications, Corporate Social Responsibility, Product Safety, Finance, Enterprise Risk Management, Legal, Procurement, Supply Chain, Human Resources, Technology and Innovation, Manufacturing, and Corporate Strategy and Planning.

The structure for governance of sustainability is reviewed periodically, and is continually evolving to meet stakeholder needs and priorities. Any changes are proposed to the Sustainability Council and voted on by its members. As we continue to analyze our priorities and develop new ones from our materiality assessment in 2014, we will implement structure and accountability changes to match them.

“OUR SUSTAINABILITY PROCESS IS SUPPORTED BY MANY TEAMS THAT ARE ACCOUNTABLE FOR CRITICAL BUSINESS PROCESSES.”

## STRATEGIC BUSINESS UNIT ACCOUNTABILITY

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

### SABIC SUSTAINABILITY GOVERNANCE

SABIC CHAIRMAN

SABIC BOARD OF DIRECTORS

SUSTAINABILITY COUNCIL

CORPORATE SUSTAINABILITY DEPARTMENT

SUSTAINABILITY STEERING COMMITTEE

TOPIC SUB-TEAMS

FUNCTIONAL TEAMS

BUSINESS TEAMS

# ETHICS AND COMPLIANCE

SABIC's objective is to practice the highest standards of ethics, integrity, and compliance every day, in every transaction, and everywhere we do business. These standards establish the solid foundation on which our sustainable growth depends.

Our integrated and global approach is based on three components – prevention, detection, and mitigation – and we have developed programs and processes to support each of them.

## SABIC CODE OF ETHICS

The SABIC Code of Ethics provides guidelines for our employees' behavior when conducting our business, and also establishes our commitments to all our stakeholders. The Code consists of 15 policies related to our primary risk areas, ranging from anti-corruption to fair employment practices and from privacy to controllership. The complete Code of Ethics can be found on our website at [www.sabic.com/corporate/en/ourcompany/code-of-ethics/downloads](http://www.sabic.com/corporate/en/ourcompany/code-of-ethics/downloads).

Implementing the SABIC Code of Ethics is the responsibility of the Legal Department, which reports directly to the CEO and Vice-Chairman. The Legal Department is the source of guidance for any employee seeking compliance advice, and representatives are available in every region where SABIC operates.

## TRAINING

To minimize risks to our business and our people, we aim to prevent any violations of our Code of Ethics and of applicable law and regulations, by our employees or any person acting on behalf of SABIC. Our efforts start with knowledge and awareness, which is why we require every SABIC employee to review and acknowledge the Code of Ethics on an annual basis, and to complete training on the policies it contains.

Every two years, all of our employees have to take between 5 and 36 online awareness courses covering our 15 Code of Ethics policies. The foundational courses are available in 12 languages while the remaining courses are available in both Arabic and English. During 2013, the online compliance courses had a completion rate of 97%.

## COMPLIANCE REVIEWS

SABIC's Compliance and Enterprise Risk Management teams administer an annual, global risk review process. The process begins with a "bottom-up review". Using input from those reporting to them on compliance, operational, financial, and strategic risks, managers complete online surveys designed to identify risks and suggest mitigation actions. The results are reviewed and discussed in detail by successive layers of management, together with the Legal and Enterprise Risk Management teams. Owners then develop and implement risk-mitigation plans which are tracked at each level. In 2013, reviews were conducted for 35 business units, including the Corporate Sustainability Department.

97%

COMPLETION  
RATE FOR  
OUR ONLINE  
COMPLIANCE  
COURSES.



## ADDRESSING COMPLIANCE CONCERNS

We have a strong culture of integrity. This culture depends on effective mechanisms that encourage employees to speak up and raise actual or potential concerns. Employees can report to managers, Human Resources, the Legal Department, the Compliance Helpline, or via an online reporting tool. As a company we strictly prohibit retaliation of any kind against anyone who raises or helps to address a good-faith concern.

The Compliance Helpline is an internal, global hotline that helps to promote an atmosphere where employees feel free to raise concerns without fear of retaliation. There are over 60 Compliance Helpline Leaders available to receive concerns and ensure they are all properly investigated and addressed. They are also able to provide answers to any questions about the Code of Ethics.

As part of our commitment to our open reporting environment, all managers are required to take training on our Compliance Investigation Guidelines. These are comprehensive procedures for recording, investigating, reporting, and resolving concerns. Over 3,200 managers took the course in the last 24 months.

In 2013, 131 concerns were reported compared to 78 concerns in 2012. We attribute this rise in reporting to the more robust and trusted reporting process now in place. Of the 131 reported concerns, 129 have been closed and two remain open to date. Of the 129 closed matters, 54 resulted in a violation finding and 75 resulted in a no-violation finding.

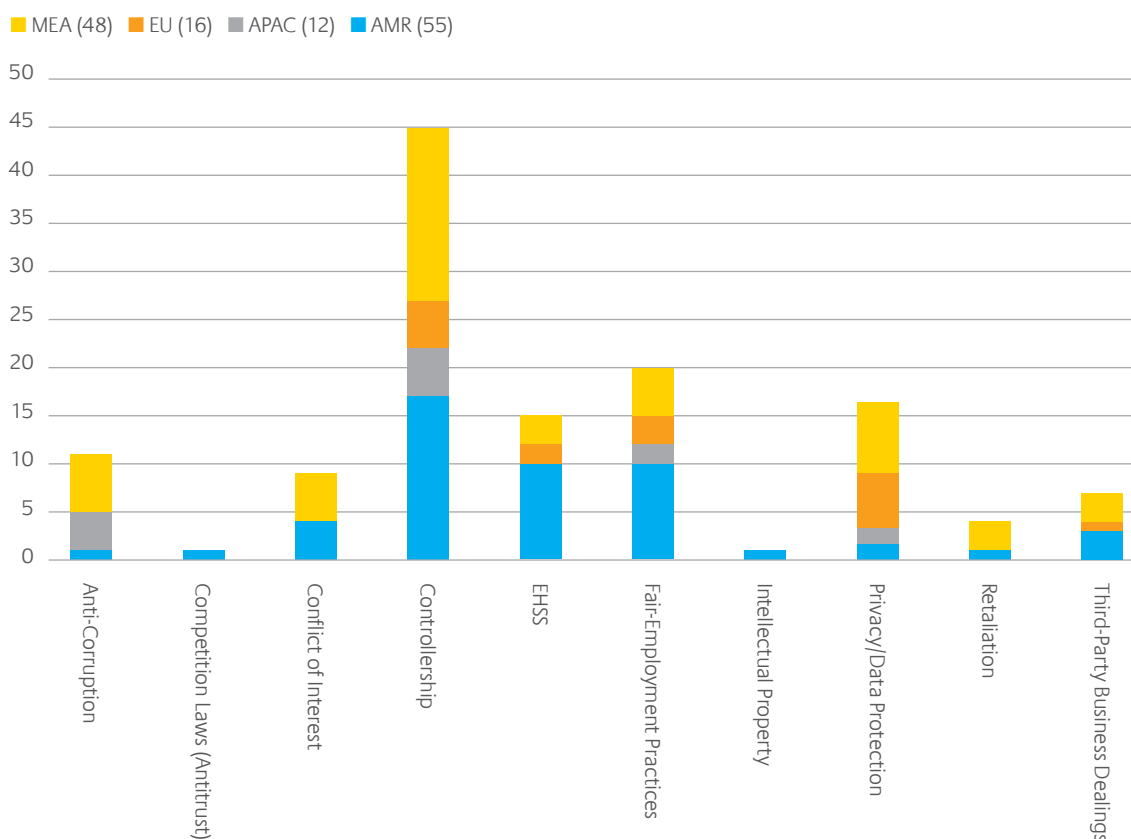
## REGIONAL COMPLIANCE COUNCILS

SABIC has four Regional Compliance Councils comprised of business and functional leaders who act as compliance champions in each operating region. They meet regularly to identify and address key risks in their regions, to review data and trends, and to provide the Legal Department with regional insights and suggestions for continuous improvement.

## RISK MANAGEMENT COMMITTEE

The SABIC Risk Management Committee – part of the SABIC Executive Committee – regularly reviews the status of the company's compliance program, program data, and trends regarding investigations, issues and resolutions. It also looks at strategic plans for program enhancement.

FIG 1. 2013 COMPLIANCE CONCERNS BY POLICY AND SUBJECT REGION



## SPECIFIC FOCUS ON ANTI-CORRUPTION

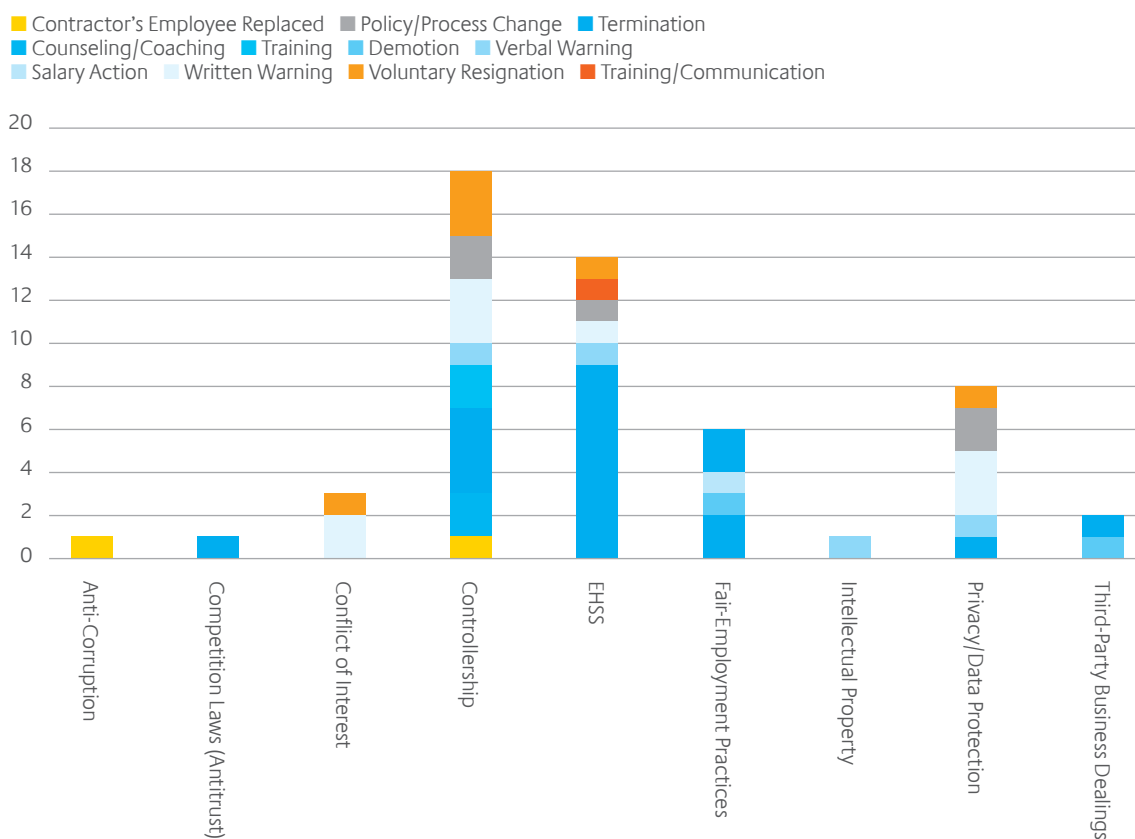
We have made a conscious decision to take an active role in fighting corruption wherever we operate in the world. Naturally our customers want to know they are getting value for their money. They also want their suppliers to engage in ethical business practices. So we are committed to creating an environment that makes it harder for companies engaging in unethical business practices, and the corrupt officials who benefit, to succeed.

In 2013 we added a stand-alone Anti-Corruption Policy to our Code of Ethics. We also have company-wide guidelines on Anti-Bribery and on Business Gifts and Hospitality. And we run live anti-corruption training courses across the business, which were completed by 875 of our employees in high risk positions in 2013. In 2014, we are launching an online employee training module on the same topic. Externally, SABIC engages in a number of multi-stakeholder initiatives. For example, in 2013, we took part in the Business 20 (B20) Task Force on Improving Transparency and Anti-Corruption. This group fosters dialogue between businesses and the governments of the world's 20 largest economies. Playing an active part in the Task Force throughout 2013, we helped develop the group's recommendations which were presented to world leaders at the 2013 G20 Summit in Russia.

SABIC is also a member of the World Economic Forum's Partnering Against Corruption Initiative (PACI). This global, multi-industry, multi-stakeholder anti-corruption initiative was set up to raise business standards, and to contribute to a competitive, transparent, accountable and ethical business society. In 2013 we were one of a handful of companies that drafted the "PACI Principles for Countering Corruption." These Principles recognize the power of collaborative action to transform the global, regional, and business agenda on corruption. They are a call to action for businesses around the world to join together in initiatives that increase public trust in business, create fair markets, and level the playing field against corruption.

In addition, we share our best practices regionally – for example through activities sponsored by the National Anti-Corruption Commission in the Kingdom of Saudi Arabia (Nazaha), by the Pearl Initiative, and by the World Economic Forum where the SABIC Vice-Chairman and CEO led a panel on "Raising the Anti-Corruption Bar in the Middle East" at the Forum's regional meeting in Jordan.

FIG 2. 2013 CORRECTIVE ACTIONS







When the Pearl Initiative and Nazaha held a meeting in Saudi Arabia on “Best Practices for Protecting Integrity in Business and Combating Corruption,” we were invited to take part, along with executives from 50 of the largest global public companies working in Saudi Arabia, state-owned enterprises, Chambers of Commerce and industry councils, civil society, and government agencies. In addition, there were special guests representing the Saudi Arabian General Investment Authority (SAGIA), Saudi Arabian Monetary Agency (SAMA), Ministry of Commerce and Industry, Capital Market Authority (CMA), Ministry of Finance, Ministry of Labor, and Ministry of Interior.

By engaging in these groups, SABIC can be an active participant in policy-making decisions. We are in a unique position to bring our regional business perspective into the discussion, and to convey international trends and best practices back to the Gulf region.

Finally, SABIC achieved a significant success in a September 2013 report from Transparency International: “Transparency in Corporate Reporting: Emerging Market Multinationals.” The report assesses the corporate anti-corruption and reporting practices of 100 large multinational companies from emerging markets, and SABIC was ranked 11th out of 100 companies in overall score. Among Middle Eastern companies we were ranked 1st, and we shared 3rd place ranking both in “reporting on anti-corruption globally” and “organizational transparency.”

This public recognition is evidence of our actions to take an active role in global efforts to fight corruption. As more countries impose strict anti-bribery laws, as enforcement becomes more far-reaching, and as fines for violations increase, our stakeholders want to know that they are dealing with an ethical company. Customers, suppliers, banks, and other business partners can view SABIC’s Transparency International ranking as an independent vote of confidence in our company. And we will continue to expand our role in anti-corruption leadership, not just in the region but also worldwide.

## HUMAN RIGHTS

SABIC is a signatory to the UN Global Compact, a strategic policy initiative for businesses devoted to aligning their operations and strategies with ten universally accepted principles in human rights, labor, the environment, and anti-corruption. We are using this report as our official UN Global Compact Communication on Progress. An overview of how we are meeting our UNGC commitments and actions is available at the SABIC Sustainability website.

We are committed to creating and fostering a culture of respect and fair employment practices that prohibits all forms of illegal discrimination. A prominent component of this global imperative is our Fair Employment Practices Policy. This not only requires adherence to all applicable labor and employment laws in the countries where SABIC operates, but also sets a standard for behavior that respects all people, and that requires employment decisions to be based on skills, qualifications, performance, and other job-related criteria.

The government of Saudi Arabia recently implemented strategies and proposed amendments to its laws and regulations to strengthen protection for workers. These include salary security, a minimum wage, required working hours, mandatory training, and women’s rights in the workplace. As a major employer in Saudi Arabia, SABIC will closely adhere to these proposals once enacted.

## LOOKING AHEAD

We plan to expand our ethics, compliance, and human rights further into our supply chain. We are currently evaluating our existing supplier qualification and management processes, and are looking for potential opportunities to enhance our vetting and due diligence in these areas.

## EMPLOYEE TESTIMONIAL

COMPLIANCE  
CULTURE COUNTS

**LARRY HARNETT**  
VICE PRESIDENT & GENERAL COUNSEL

SABIC's long-standing culture of integrity has served as a strong foundation upon which to build a robust, world-class Compliance Program. Our corporate growth strategy ensures that we will continue to identify new product segments and enter new markets around the world. In pursuing this strategy, we are firm in our belief that the only way to grow is through a reputation for honesty, fairness, and transparency wherever we do business. I see our Compliance Program as a competitive advantage. Our company, headquartered in Saudi Arabia with facilities around the world, competes for customers every day on six continents. These customers expect that they will get value for their money and that their suppliers are engaged in ethical business practices. Moreover, the types of ethical challenges vary from country to country, so a global, robust program that addresses highest-risk areas is critical.

Importantly, our employees also want to know that their company fully embraces integrity and ethics in all of its business activities. In a global survey of more than 31,000 SABIC employees conducted in 2013, our employees rated SABIC above both the global and industry benchmarks on whether employees are held accountable for their ethical behavior and whether the leadership of the company is setting a good example for ethical behavior. While I am pleased that our personnel are confident in our company's principles, there is always room for improvement. Based on the survey results, we see an opportunity to improve our employees' understanding of the importance of reporting compliance concerns with full confidence that there will be "No Retaliation" for doing so. Therefore, in 2014 our Chief Compliance Counsel

“  
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”

will implement plans and metrics to enhance these elements of our reporting culture.

In this age of instant information driven by social media, our prospective employees have substantial information at their fingertips when making employment decisions. I believe strongly that our focus on integrity and our rigorous compliance culture provide us with a competitive advantage in attracting and retaining world-class talent: people who want to work for a company that promotes responsible, moral behavior both internally and in our communities. We continually strive to build and maintain a strong compliance culture by implementing systems and processes that promote integrity, prevent corruption, and encourage ethical behavior in all of our business dealings around the world. With the committed engagement of our leaders and employees, I am confident that our Compliance Program will remain a powerful differentiator for SABIC for many years to come.

# OUR PERFORMANCE

We have several objectives in reporting our performance data in this format. We are seeking to link our business process metrics to the various dimensions of sustainability value creation and resource capital management. We also want to compare our performance year over year so stakeholders can see where we are making progress. As we focus on the processes that impact our most material issues, we will add additional performance metrics.



REPORT SECTION	INDICATOR	UNIT	2012	2013
<b>Ethics and integrity</b>				
	Compliance concerns raised	Number	78	131
	Incidents closed	Number	78	129
	Violations found (addressed)	Number	36	54
	Training completion	%	99%	97%
<b>Creating economic value</b>				
	Total Patent Portfolio	Number	8882	9791
	Sustainability Solutions	Cumulative number	27	32
	Innovation and Sustainability Project Portfolio	Number	500	719
<b>Protecting natural capital</b>				
	GHG emission intensity <sup>(1)</sup>	MT CO <sub>2</sub> eq/MT of product sales	1.34*	1.32*
	Energy intensity	GJ/MT of product sales	18*	17*
	Water intensity <sup>(1)</sup>	m <sup>3</sup> /MT of product sales	2.9*	2.8*
	Material loss intensity	MT/MT of product sales	0.11*	0.11*
	Hazardous substance release	MT	46	200
<b>Protecting and developing human capital</b>				
<b>Health and safety</b>				
	SHER rate <sup>(2)</sup>	Incidents/200,000 hours worked	0.96*	0.92*
	Recordable incident rate	Incidents/200,000 hours worked	0.22*	0.17*
	Occupational illness rate	Illnesses/200,000 hours worked	0.003	0.004
	Fatalities	Number	4	0
	Process safety incidents	Incidents/200,000 hours worked	0.04	0.02
<b>Women in the workplace</b>				
	Total	% of workforce	7.9	7.9
	Americas	% of workforce	20.8	21.3
	Asia Pacific	% of workforce	25.9	25.3
	Europe	% of workforce	16.1	16.1
	MENA	% of workforce	0.3	0.4
<b>Training effectiveness</b>				
	Learner satisfaction	Scale of 0-5, Goal 4.0	NA	4.2
	Learner gain	Scale of 0-50, Goal 40	NA	48
<b>Building social and community relationships</b>				
<b>Community giving</b>				
	Americas	Thousand US\$	2,203	1,967
	Asia Pacific	Thousand US\$	447	286
	Europe	Thousand US\$	357	754
	MENA	Thousand US\$	13,287	5,495
	Total		16,294	8,505
<b>Product safety</b>				
	Product safety incidents	Number	NA	1

<sup>(1)</sup> Note: these values are restated from 2012 report. <sup>(2)</sup> Note: this is a severity-weighted rating.

\* Assured by KPMG

# ACCOUNTABILITY FOR GOALS

Throughout our 2012 Sustainability Report we indicated many opportunities for improvement and aspirations over the short- and long-term. Opposite, you will find an accounting of our forward-looking actions and how we have responded to them. We were not perfect in our execution, for a variety of reasons. Our intention is always to strive to do what we say we will do. In our 2014 Sustainability Report we will detail further closure on the actions from 2012, as well as new objectives described throughout the 2013 report.

ACTIONS COMMUNICATED IN 2012 REPORT	2013 STATUS	NEXT STEPS IN 2014
Sustainability strategy and vision		
Develop new metrics for key processes	Added Innovation, EHSS, Training, Product Safety	Materiality process to identify more metrics in 2014
Improve sustainability forecasting tools	Portfolio management tool developed	Implementation and application 2014
Integrate sustainability and financial reports	Evolved report structure and timing to support	Move sustainability report publication forward to 2 <sup>nd</sup> Quarter
Expand transparency and metrics	Reported on nine addition metrics	Evolve KPIs based on priorities from materiality process
Expand global engagement	Regional advocates assigned in each pole	Assess stakeholder engagement
Expand influence in Middle East	Sponsored GPCA Sustainability Forum	SABIC Innovation Day in May 2014
Enhance collaboration efforts	Expanded examples in 2013 report	Assess stakeholder engagement



ACTIONS COMMUNICATED IN 2012 REPORT	2013 STATUS	NEXT STEPS IN 2014
<b>Creating economic value</b>		
Metric for sustainability solution products	Included in 2013 Our Performance Table	Continue to track and report
Qualify 10 sustainability solution products	Reached 50% of target	Achieve additional 5
Implement breakthrough technologies	Four innovation centers opened	Apply innovation portfolio management tool
<b>Protecting natural capital</b>		
Capital investments to reduce footprint	Key projects described within 2013 report	Implement more key projects and develop larger pipeline of projects
Expand to include Scope 3 Impact	Determined highest-priority categories	Collect data for priority categories
Broader application of LCA	Doubled internal assessment capacity	Expand application to technology pipeline
Develop end-of-life solutions	Formulation of new products with recycle	Collaborate within the value chain to define more projects
By-product utilization and CO <sub>2</sub> utilization	Described within 2013 report	Key project announcement, new internal metric
Biodiversity	Limited priority impact area for SABIC	Monitor for potential contributions
<b>Developing human capital</b>		
Address issues through key processes	Six processes described within 2013 report	Develop further through materiality process
Engagement of Contractors in Safety	Major improvement in engagement and results	Continue audit and best-practice processes
Expand training and track effectiveness	Reported new metrics within 2013 report	Continue to build new initiatives
Build Supply Chain career development	Implemented as described within 2013 report	Continue deployment and translation
<b>Building social and community relationships</b>		
Revise global CSR strategy	Developed revised strategy	Review proposal with SABIC Board
Establish SABIC Foundation	Investigated options	Review proposal with SABIC Board
Capture volunteer service in community	Developed volunteerism policy	On hold pending further review
Establish advisory panel	Delayed	Consider potential actions
Increase communication on chemical risks	Revised Product Safety strategy, reported within	Maintain proactive engagements
Track product-compliance incidents	Implemented as Performance Metric in 2013	Monitor
Supplier-assessment process	Internal workshops to develop process	Materiality process to be refined further in 2014
Supply Chain process improvements	Case Study within 2013 report	Materiality process to be refined further in 2014
Human Rights assessment	Delayed	Anticipating new guidance from Saudi Arabian government

02

# SUSTAINABILITY STRATEGY AND VISION

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## BERGEN OP ZOOM, THE NETHERLANDS

One of our key production facilities in Europe for the Innovative Plastics strategic business unit, employing over 1,300 employees in eight plants, including functional and commercial departments, as well as a sizeable Technology and Innovation facility. The site is also host to the Green Chemistry Campus initiative; a business accelerator for bio-based innovations.







# OUR APPROACH

An effective company strategy requires clear priorities and objectives across the environmental, social, and economic dimensions of sustainability, while creating sustainable value for stakeholders requires effective management of natural, social, human, and financial capital.

For these reasons, sustainability plays a major role in shaping SABIC's business strategy, and in creating sustainable value for our stakeholders.

Clear priorities and objectives start with understanding the impact on our business of global sustainability megatrends and issues, and the impact our business can have on them. This requires an identification of the risks and opportunities presented by these trends and issues, and an assessment of the materiality of these trends and issues for all our stakeholders. In our quest to "Create Lasting Value" we are applying these assessment tools to shape an impactful sustainability strategy, which will create lasting value for SABIC, our stakeholders, and the planet.



## MEGATRENDS AND ISSUES

Resources scarcity  
Climate change  
Unemployment  
Energy, water, food  
Urbanization  
Biodiversity loss  
Pollution

## ASSESSMENT PROCESSES

Risk and opportunities  
Materiality  
Stakeholders

## SUSTAINABILITY STRATEGY

Priorities and opportunities  
Resource allocation  
Processes  
Performance metrics  
Collaborations

## VALUE CREATION

Economic capital  
Natural capital  
Human capital  
Social capital

“  
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”

# MEGATRENDS

As population growth and human activities place an ever-increasing burden on the planet and society, the issues surrounding sustainability become ever more complex. Increasingly, governments, corporations, and individuals must recognize that we are all part of the cause, and of the solution.





The innovation and ingenuity of the chemical industry have enabled enormous mobility, advances in healthcare and communications, and consumption within society. SABIC has contributed to mobility through the design of a wide variety of materials necessary for the development of advanced transportation technologies such as lighter-weight materials; it has contributed to longevity through agricultural productivity, food packaging, and innovative materials for medical devices. Our products for the electronics market have made applications smaller, lighter, and safer. The chemical industry and SABIC have also been an enabler of economic growth and continue to improve the quality of life for more people every day. Our industry has undoubtedly had a positive impact on the lives of many people across the world. But we recognize that we also contribute to consumption of finite materials, to GHG emissions, and to other planetary issues, such as water scarcity. We have the opportunity not only to address these, but also to enable our stakeholders to address their contribution to the overall global solution.

Many organizations and thought leaders – including the United Nations, governments, and scientific, financial, and social institutions – forecast that the global community will need major increases in food, energy, water, materials, and jobs over the coming decades. Addressing these needs with traditional approaches will take us beyond the limits of what our planet can sustainably provide, and solving these issues will create major forces for change. So we can anticipate new regulations, taxes on externalities, breakthrough innovations, new consumer patterns, new forms of competition, and more measures in response to the changing societal needs described above. Understanding and planning for the risks and opportunities associated with the shifting global situation will enable SABIC to continue to produce value for stakeholders, and to grow our business.

## RISK ANALYSIS

Sustainability risks and opportunities must be understood across the value chain of the markets we participate in. As a large chemical and material supplier, this means we have to focus on the implications of our raw-material supply, our internal operations, our distribution, the application of our products, and their end of life. We have to manage not just physical assets and inputs, but also other vital assets – such as the human resources and the community relationships we depend on.

In 2013, we conducted an analysis of sustainability risks, as part of our overall Enterprise Risk Management (ERM) process. Participants included the Corporate Sustainability Department and members of the Sustainability Steering Committee. They were asked to define what they felt to be SABIC's greatest sustainability risks across environmental, social, and economic dimensions. Through a series of group discussions, these risks were rated for the likelihood and consequence of occurrence. The highest risks were explored further, with the objective of creating action plans and responsibilities. The highest risks identified from this assessment are shown below. Under the SABIC ERM process, accountability for each high-risk item is assigned to a leader with responsibility in that area. Some actions are currently evaluated quarterly, others monthly.

## “PLANNING FOR THE RISKS AND OPPORTUNITIES ASSOCIATED WITH THE SHIFTING GLOBAL SITUATION WILL ENABLE SABIC TO CONTINUE TO PRODUCE VALUE.”

### HIGHEST-PRIORITY RISK/ OPPORTUNITY ITEMS

- Human resource development and availability of technical and engineering skills
- Environmental footprint: GHG/energy
- Long-term environmental performance of new investments
- Public concerns around product safety and environmental pollution
- Job creation in Saudi Arabia
- Feedstock changes, availability, and impact on environmental footprint
- Innovative downstream market solutions

The dynamic nature of risks is demonstrated by the analysis carried out annually by the World Economic Forum. Business conditions and stakeholder implications are also ever-changing, which means risks can be expected to vary – especially as risk-mitigation steps are taken or issues suddenly become more urgent. Therefore risk analyses need to be repeated periodically, and tied to materiality and stakeholder engagement.

Our risk analysis was performed in 2013, prior to SABIC undertaking the materiality analysis described below. While the risk analysis supports most of the emerging conclusions of our materiality analysis, in the future we intend to integrate them more effectively. We also need to place a greater emphasis on opportunity creation, and to explore how the sustainability megatrends affecting our industry present us with an opportunity to create innovative sustainability solutions. Our intention is to review risks and opportunities annually with our Sustainability Council.

# MATERIALITY AND STAKEHOLDERS

## STAKEHOLDER ANALYSIS

As one of the largest chemical companies in the world, with operations in 45 countries, SABIC has many stakeholders to consider, with respect to the impact our business has on them and the impact their expectations have on our strategy. Our objective in stakeholder engagement is to understand:

- Who are the primary stakeholders to whom we are accountable?
- How do we affect them and what are their priorities?
- How can we collaborate and create value?
- What are the primary mechanisms at our disposal for stakeholder engagement?

The SABIC leadership team, guided by the functional and business expertise in our business, is responsible for our overall stakeholder engagement. A summary of our stakeholder assessment is shown in the table below. It was developed through the combined input of the CSD, the CSR Department, the Sustainability Report Committee, and the insights of SABIC employees directly responsible for engaging specific stakeholder groups.

In our 2012 report we provided a summary of the expectations we receive through various stakeholder channels. This feedback is still relevant today and is reflected in the content of this report. Additionally, we sought input from over 100 internal leaders and third-party external experts on how to improve stakeholder satisfaction in our reporting. This feedback

was reviewed at SABIC Sustainability Council meetings in 2013 and was taken into account in preparing this report. This report is a critical mechanism for communicating with our stakeholders. We received over 24,000 internal and over 26,000 external direct inquiries into our 2012 report, as of the second quarter of 2014. This is a 300% increase in internal inquiries and a 10% increase in external inquiries compared with our first report in 2011. We believe this is largely due to the consistency of reporting, which now occurs annually. For external inquiries, we also note that 58% came from the MENA, 18% from APAC, 12% from USA, and 8% from EUR. Our largest concentration of stakeholders and the region where we can most influence sustainability is MENA, so we are pleased by the high level of stakeholder interest here. It should also be noted that this increase does not reflect the availability of our Sustainability Report on websites other than SABIC's.

We recognize that our stakeholder-engagement strategy is in its formative stage, based on bilateral relationships with different individuals rather than a more comprehensive multi-stakeholder approach. We will continue to solicit input from a cross-section of stakeholders with respect to our effectiveness at communicating our sustainability performance and impacts. We will also develop a more comprehensive stakeholder-engagement strategy, linked to our newly defined material sustainability issues.

STAKEHOLDER CATEGORY	CONCERNS AND PRIORITIES	MECHANISMS TO ENGAGE STAKEHOLDERS
Saudi Arabia and other governments	EHSS, financial and ethical performance	Leadership communications
Private shareholders and JV partners	Robust business processes, governance and brand	Board of Director meetings
Employees and their families	Safety, security, and career development	Surveys, talent reviews
Customers	Security of product supply and product safety	Conferences, forums, industry trade shows
Communities where we operate	Fair and ethical business practices	Employee engagement in the community
Suppliers	Collaborations	Scheduled meetings
Consumers	Transparency	Information posted to internet sites
Global society at large	Sustainable solutions to megatrends	Financial and non-financial reports

## MATERIALITY

In order to focus our resources on those risks and opportunities that are most important for our stakeholders, we conducted an analysis of the materiality of these risks and opportunities. We first carried out this analysis in 2011 and refreshed it in 2013. In conducting the analysis, we defined a comprehensive set of 28 sustainability issues across environmental, social, and economic dimensions.

These 28 issues were selected based on several elements, including:

- Megatrends and their associated risks and opportunities
- Critical issues in the chemical and materials industry
- Interaction and guidance with external entities (WBCSD, ICCA, WEF, BSR)
- Outcome of our 2013 ERM analysis, described above

200 SABIC leaders across all businesses, corporate functions, and regions then used their knowledge and experience to rank these issues on the basis of their importance to the company's success and to the creation or preservation of value for all our stakeholders. Many factors were included in the prioritization of specific issues, including:

- SABIC's ability to have an impact on the individual issues
- Impact on SABIC's existing strategy and plans
- Impact on SABIC's stakeholders
- Regional needs and differences

On the basis of this analysis we selected the issues illustrated below as the most important for the success of SABIC and for our stakeholders. Accordingly, we have focused our reporting efforts on these issues. Our approach and results with these issues were placed in this report according to the capital management section most affected by that issue, recognizing that most materiality issues impact all aspects of value creation.

These issues were selected because we believe they have the most significant impact on SABIC's business success and the company's effect on sustainable development. They also reflect feedback we have received from internal and external stakeholders. We felt that some of the other important issues in our assessment were directly linked to these central issues, while others were of less importance at this time. Because we are dedicated to continuous improvement in all aspects of our business, we will continue to refine our priorities and validate our conclusions, through additional analysis, socialization of the conclusions across the business, and direct stakeholder input. Any changes in our prioritization will be disclosed in future sustainability reports. We also recognize that material issues change over time, and we shall continue to monitor their relative importance to our business and to our stakeholders, using the stakeholder-engagement mechanisms discussed below.

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

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

The performance table contains results we were tracking before the 2013 materiality analysis process was finalized. Many of these indicators relate directly to central issues from this materiality assessment. As we complete the three steps described above we will be adding additional key performance indicators.

We will also continue to seek third-party expert feedback through our engagements with, for example, BSR, WBCSD, and KPMG. We also invite readers of our Sustainability Report to provide feedback on our impacts through our sustainability site: [sabic.com/corporate/en/sustainability/sustainability\\_report](http://sabic.com/corporate/en/sustainability/sustainability_report).



# SUSTAINABILITY STRATEGY

In our 2012 Sustainability Report, we defined our journey by a cycle of milestones, repeated in a process of continuous improvement (see figure below). We also described four areas of strategic focus where we felt SABIC must excel: reduced consumption of finite materials, reduced environmental footprint, enabling others to operate sustainably, and closing the life cycle of materials. These four areas are reflected in our actions and are consistent with our goals of protecting natural capital and creating economic value, described in this and past reports.





Our sustainability journey continues to mature both in scope and depth, as we gain a greater appreciation of the issues, opportunities, and risks that affect our company and our stakeholders. We have also grown to appreciate the interconnectivity of the environmental, social, and economic dimensions of sustainability, and how we need to manage the sources of capital associated with them, in order to produce maximum value and business longevity.

“  
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SUSTAINABILITY.  
”

Our operating strategy for sustainability has three basic elements:

1. Focus on material issues
2. Develop strong management practices for the financial, natural, human, and social capital resources we require
3. Execute opportunities and innovate at each step in the value chain

This strategy supports the overall goals of our 2025 Business Strategy, which focuses on resource efficiency, market-facing global growth, differentiated solutions, innovation in products and processes, and the cultivation of strong collaborations. The testimonial by Fred du Plessis, our Corporate Strategy and Planning General Manager, describes how sustainability is linked into our longer-range 2025 plan, and how the themes of our annual five-year planning process – Improve, Grow, Innovate, and Transform – require sustainability planning at both SBU and corporate function level.

We anticipate that the priorities and actions of our sustainability and business strategy will be informed by changing risks, opportunities, and stakeholder expectations. We will continue to use the tools of risk assessment, stakeholder engagement, and materiality analysis to refresh our priorities and actions. However, the nature of major global megatrends and the need to address them is unlikely to change soon, and will provide us with a constant sense of purpose along the journey.



## EMPLOYEE TESTIMONIAL

# SUSTAINABILITY UNITED



**FRED DU PLESSIS**  
CORPORATE STRATEGY AND  
PLANNING GENERAL MANAGER  
RIYADH, SAUDI ARABIA

During 2012-13, I was responsible for developing the SABIC 2025 Corporate Strategy. From the beginning, we thought at length about how to integrate sustainability into our 2025 strategy in the most meaningful way. We concluded that sustainability should be a foundation stone on which we build the strategy. In this way it would underpin everything we do.

The chemical industry is highly dependent on finite hydrocarbon resources for energy and feedstock. These resources must be efficiently utilized by our industry, with minimum GHG emissions. SABIC is no exception, and these expectations are focus areas for our strategy, as we strive to position our operations in the first quartile of industry performance.

We have also designed our 2025 strategy around an increased focus on customers in key end-user markets, all of whom are looking for sustainability improvements in their products. In particular, they desire energy and material efficiency through lighter-weight or thinner wall parts. The automotive, aerospace, electrical and electronics, clean energy, packaging, and building and construction industries are also looking for other sustainability features, such as reusable content, sustainable chemistry, and waste reduction. These needs represent challenges and opportunities for our product portfolios. At SABIC we see them as an opportunity to develop innovative and differentiated product offerings, using the product design competencies we have in our Innovative Plastics business.

“  
**I AM CONFIDENT THAT WE  
ARE MAKING SUSTAINABILITY  
PART OF THE DNA OF OUR  
LONG-TERM SABIC STRATEGY.**  
”

We emphasize four themes in our annual five-year strategic business-planning process: Improve, Grow, Innovate, and Transform. These themes, applied across our SBUs and corporate functions, ensure that sustainability is at the core of our strategic actions. For example: improving energy efficiency is a KPI for our SBUs and Manufacturing function; growing our market presence with sustainable solutions is a criterion for product-design teams; innovating new technologies to drive future sustainable solutions is a deliverable of our Technology function; and transforming key processes (supply chain, human-resource development, and communication) is a multifunctional priority.

So the whole company continues to transform in a way that ensures sustainability is not the goal of one organization, but a unifying strategic element across our entire business.

I am confident that we are making sustainability part of the DNA of our long-term SABIC strategy.



# LOOKING FORWARD

“

INNOVATION IS CRUCIAL. WE CAN'T MAKE BREAKTHROUGH CHANGES WITHOUT IT AND COLLABORATION WILL BE NECESSARY

”

In 2013, our risk analysis and materiality assessment played a major role in refining our sustainability priorities and strategy. The dialogue on these topics within the business had a major impact on engagement and the maturity of our sustainability efforts. Our primary short-term agenda is to strengthen the business initiatives and processes around materiality priorities, to define metrics to clearly measure progress in execution, and to communicate our results and goals to stakeholders.

Our list of priorities will be dynamic, due to shifting business and stakeholder expectations, and global trends. Therefore our forward-looking agenda includes a process to continuously assess risks, opportunities, and priorities. We will annually engage our Sustainability Council in this, and report updates in our Sustainability Report.

Going forward, we will continue to solicit input from a cross-section of stakeholders, with respect to our effectiveness at communicating our sustainability performance and impacts. We will also develop a more comprehensive stakeholder engagement strategy, to ensure alignment with our newly defined priorities from materiality assessment.

The goals described above are relatively short-term in nature. Looking towards more distant horizons, there are important goals we can see. Innovation is crucial. We cannot make breakthrough changes without it, and collaboration will be necessary to move with the speed required. Four dimensions of capital development – economic, natural, human, and relationship – will continue to be the measure of success. For SABIC, it is a matter of continuously developing our competencies, and searching for ways to do things better. A long-range plan around each of these four dimensions will be our goal.

# 03

## CREATING ECONOMIC VALUE



### NATURAL AND FINANCIAL CAPITAL

SABIC Chemicals business and its partner Oil-Tanking have installed 10 new chemical storage tanks that are 99.7% emission-secure. Floating roofs, a double-hull and double seals stop emissions to the atmosphere of up to 6,000 tons of hydrocarbons per year.





99.7%  
EMISSION-SECURE  
STORAGE TANKS



# OUR APPROACH

Since its foundation over 35 years ago, SABIC has successfully created and distributed direct economic value for its shareholders in the form of robust positive earnings and upper-echelon dividends.

At the same time, we have benefited all our stakeholders in many ways: by creating jobs, paying taxes, having an active CSR program, investing in innovation, enabling downstream enterprise, and purchasing from local suppliers. Today, when the impact of oil is excluded, SABIC is a key component of the overall GDP of Saudi Arabia. We recognize that our success has always been fundamentally linked to broader environmental and socioeconomic considerations. At the heart of SABIC's founding was the promise to produce value that enabled Saudi society to grow and flourish. Our work has made it possible for the Kingdom to address the significant environmental issues arising from hydrocarbon flaring while also providing society with essential products.

SABIC was also able to generate value-added jobs in the context of a population boom, to diversify the economy beyond simple hydrocarbon export, and to establish a global business operation through acquisition and partnership. Our 2025 strategy recognizes that the links between the creation of economic value, the environment, and society will become more significant with time. The essence of this strategy is our intent to continue to make large capital investments in manufacturing technologies that reduce our impact on the environment, to invest in innovation and the development of sustainability solutions, to diversify our product portfolio, and to become closer to customers in key markets. Sustainability is a core component of this strategy.



**MUTLAQ H. AL-MORISHED**  
EVP CORPORATE FINANCE

“We live in very challenging times with number of mega trends shaping tomorrow's landscape, with more needs and scarce resources. Companies that are agile and adaptive on all capitals – doing more with less – will be able to compete in tomorrow's world. That's how SABIC was founded over 35 years ago, and that's why sustainability to us is synonymous to value generation. We are embracing tomorrow's challenges as opportunities and gearing ourselves to address them head on through innovation, collaboration and having sustainability as a foundational item in SABIC's strategy. This will enable us to differentiate ourselves, and achieve a competitive edge. Novel ideas such oil to chemicals, syngas to olefins, and carbon purification are examples of areas where we are improving environmental footprint, and adding economic value directly and indirectly to our shareholders, and stakeholders at large.”

# OUR PERFORMANCE

## HIGHLIGHTS

- SABIC overall contribution to Saudi Arabia's GDP: 1.7%
- 5% for the private sector and 17% for the industrial sector
- 43% contribution to the Saudi balance of payments (excluding oil exports)
- SAUDI Industrial Investment Company Fund created with SR 2 billion capital to facilitate downstream growth
- Investment to build largest CO<sub>2</sub> capture plant and use as raw material announced for Saudi Arabia
- Investment in Co-Generation announced for largest North American site
- Launch of "Design 4 Sustainability" application workshops
- Opened four technology and innovation centers in ME/APAC region
- System to track sustainability portfolio impact and execution launched

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## KEY FACTS

25.3

NET INCOME  
(BILLION SR)

189

SALES  
(BILLION SR)

339.1

TOTAL ASSETS  
(BILLION SR)

15

DIVIDENDS  
(BILLION SR)

# ECONOMIC VALUE CREATION

We recognize that the economic value we create enables additional value generation elsewhere in society. We also realize that the economic value we create is itself enabled by the societal relationships, environmental ecosystems, and human-resource capabilities with which our business operates around the world. The interconnectivity of these four elements motivates how we account for our performance in relation to value creation across our value chain.





## SUPPLIERS

By maintaining a reliable and sustainable supply base, SABIC will derive economic value by reducing the costs and risks of supply. One of the key strategies in our procurement practices is to build a local supply base, driven by our desire to shift the manufacturing base closer to where the materials are actually consumed and thus minimize our reliance on imports. For example, SABIC spends some SR 38 billion in Saudi Arabia every year on service equipment and materials, of which over 80% are imported. To achieve our local-content objectives, and those of Saudi Arabia as whole – namely to increase local content by 70% by 2025 and to have a 30% export level – in 2013 we led a national collaboration on the topic with government entities and other leading companies in the Kingdom. SABIC invited 120 local suppliers to showcase a total of 88,000 material and technical solutions, which led to the introduction of 36 new investors to the Kingdom with total investments of SR 4.6 billion.

## INTERNAL PROCESSES

In the context of economic value creation, there are two fundamental processes: the manufacturing and sale of products, and the innovation of new products and processes. With respect to the latter, during 2013 our research and development efforts resulted in the creation of 900+ new patent filings related to manufacturing processes and new product formulations, and the qualification of five additional sustainability products (see discussion later in this section).

The economic value created for our shareholders from the manufacturing and sale of our products to customers is extracted from our 2013 Annual Report and detailed below. SABIC has also been able to distribute direct economic value to our employees, suppliers, governments, and other stakeholders in the form of purchased materials and services, salaries, benefits, local contracts, and taxes, which in turn indirectly create value wherever we operate. Net income in 2013 amounted to SR 25.3 billion on total sales of SR 189 billion globally, with earnings per share of SR 8. We paid our employees and suppliers SR 146.4 billion, SR 1.8 billion to financial institutions and other providers of debt capital, and SR 15 billion to providers of equity capital in the form of dividends.

We have paid SR 2.3 billion to the authorities as a tax/zakat on our income. We are progressively widening our perspective on capital investments to have sustainability as a key investment criterion. This includes assessing the viability of the investment in the long term and its corresponding sustainability impacts, and incentivizing our team and executives by having sustainability-related KPIs for our business units and sites.

Over the past few years, these changes have led to more collaboration within SABIC to look for ideas beyond the status quo. These new perspectives will provide value over the long term if the many forms of capital – economic, natural, human, and social – are managed deliberately in ways that solidify SABIC's competitive position.

Our United CO<sub>2</sub> project in Saudi Arabia and the Mount Vernon Co-Gen project in North America (see case studies below) provide examples of how we approached major capital-investment decisions in this way. Both projects required significant collaboration across our SBUs, affiliates, and broader stakeholder networks. They also required us to be accountable to the sustainability objectives we have set for the business.

## DOWNSTREAM STAKEHOLDERS

We have created economic value for communities by fostering growth where we operate. In Saudi Arabia, SABIC has positioned itself as a catalyst for downstream value creation by enabling industrial diversification. For example, during 2013 SABIC began to participate with the Public Investment Fund and Saudi Aramco to establish the Saudi Industrial Investments Company with a planned capital of SR 2 billion. This vehicle is dedicated to attracting investment and securing the capabilities necessary to build the Kingdom's presence in the maritime, automotive, power, water, and electrical-equipment sectors while maintaining and enhancing its leadership in oil and gas.

	2012 (SR '000)	2013 (SR'000)
Total assets	337,437,888	339,070,569
Sales	189,025,547	189,031,500
Cost of sales	135,632,216	133,687,137
SG&A	12,367,794	12,759,672
Financial charges	2,492,797	1,756,272
Zakat	2,500,000	2,300,000
Net income	24,780,262	25,278,382
Earnings/share (SR)	8	8

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CASE STUDY

# UNITED CO<sub>2</sub> PROJECT

Chemical production plants generally have a large CO<sub>2</sub> footprint from the energy they use, and in some circumstances from the CO<sub>2</sub> they emit as a by-product of the production process. We have imposed a tough target on ourselves to achieve a 25% intensity reduction in GHG (mostly CO<sub>2</sub>) emissions by 2025 compared to 2010 levels. Hitting such a target based on optimization alone will be challenging, so big step changes from ingenuity and innovation are needed. These generally need major investment along with the economic value that supports the investment.



## THE PROPOSAL

The Chemicals Business had a breakthrough idea to create economic value with the Fertilizer business and simultaneously generate environmental benefits by capturing and using CO<sub>2</sub> as a carbon feedstock to make useful materials. With SABIC's global leadership position in glycol production, we have an opportunity to capture high-purity CO<sub>2</sub> emitted in the glycol process and use it to produce urea, methanol, or industrial-grade CO<sub>2</sub> to sell externally for production in the food and beverage industry.

## THE SITE

We chose the glycol plant at our affiliate Jubail United Petrochemical (United) for Phase 1 of SABIC's CO<sub>2</sub>-capture program. Purified CO<sub>2</sub> emitted from the ethylene-glycol plants in United will be transferred by pipelines to other SABIC affiliates and for external distribution.

## ANTICIPATED ACHIEVEMENTS

We expect that the United CO<sub>2</sub> project will be completed in May 2015 and SABIC is currently studying the feasibility of a Phase 2 investment with another SABIC affiliate. From an economic perspective, the project is expected to produce an internal rate of return well above SABIC's investment hurdle rate and yield more than a 1.5% improvement in product revenue for United. Further, all other participating affiliates will, on average, achieve an improvement in their respective contribution margin greater than 1.5%.

From an environmental-value perspective, the development is anticipated to yield sizable reductions in all environmental KPIs for United: CO<sub>2</sub> emissions will drop 500,000 tons per year; energy intensity will be reduced by more than 13%; water intensity by more than 13%; and material-waste intensity by more than 76%. SABIC has already reached agreements with a number of customers for the sale of pure gaseous CO<sub>2</sub>.

With the success of this project, CO<sub>2</sub> recovery and utilization has become an internal metric for us to track. We see this as the start of a journey where CO<sub>2</sub> recovery and its use become as common as the recycling of aluminum cans today.





## EMPLOYEE TESTIMONIAL

# ACCOUNTING FOR VALUE



**ABDULAZIZ M. ALFAKHRI**  
HEAD OF CASH MANAGEMENT, CORPORATE FINANCE  
RIYADH, SAUDI ARABIA

Alongside my role as Head of Cash Management in SABIC's Corporate Finance team, last year I participated in the Future Leaders Team (FLT) program of the World Business Council for Sustainable Development (WBCSD). The 10-month program was designed to help shape the future of sustainable development, by engaging the next generation of company leaders with the issues involved. Titled "Integrating Sustainability into Finance, Investment, and Reporting," the program focused on bridging the gap between sustainability and financial reporting, encouraging collaborative modes of working and networking globally with sustainability stakeholders.

I was the first SABIC employee to be sent on the FLT program, which reflects the company's growing commitment to investing resources in achieving sustainability. The experience was undoubtedly an eye-opener for me into the latest developments in the sustainability field, and it greatly enriched my knowledge in an area that is of particular interest to me. I worked on projects focused on sustainability reporting, such as conducting an evaluation of SABIC's 2011 Sustainability Report against the Global Reporting Initiatives (GRI) Reporting Guidelines. I also worked with 12 other program participants on producing a paper on "Controlling Non-Financial Reporting," which looks at leading practices for sustainability reporting, and makes recommendations to enable companies to report in a more effective manner. The paper was positively received and endorsed by SABIC, and my colleagues and I presented it at the WBCSD conference in Istanbul in November 2013.

Since completing the program, I have been helping colleagues understand how economic value creation is linked to sustainability, and why sustainable development must be backed by sound economic thinking. What can be called "other" capitals – namely human, social, and natural – also have an important impact on the bottom line of a business, both in the short- and long-term. Examples of this thinking in action can be found in SABIC's investment in greater operational efficiency at its manufacturing plants like Mount Vernon and United, which have not only created economic value for the company but have also fostered the development of social and natural capital.



### NATURAL AND ECONOMIC CAPITAL

Every drop of water counts, especially in water-stressed regions. SABIC HDPE pipe grades for water distribution systems deliver the water required for urban and economic expansion with cost-effective installation and protection against leakage.



# MOUNT VERNON CO-GEN PROJECT

SABIC's Mount Vernon, Indiana site in the USA currently procures its electricity from the grid and 40% of its steam requirements from coal-fired steam boilers. As the business is pursuing ambitious environmental targets, which include a 25% reduction in GHG emissions over the 2010 baseline by 2025, a team was formed to assess the viability of major process changes within the Mount Vernon site.

## THE PROPOSAL

One proposal to have a major impact on the performance of the Mountt Vernon site was to implement a state-of-the-art natural-gas-powered co-generation (Co-Gen) unit, which will produce the majority of both electricity and steam required by the site. The business will work with local, state and federal officials to obtain the appropriate regulatory approvals, with construction expected to begin in 2015.

In this project there were three major drivers for change: cost savings, environmental benefits, and regulatory compliance. From an economic perspective, the new process will improve site costs, profitability, and competitiveness. From an environmental aspect, shifting from coal to natural-gas-power co-generation will immensely reduce GHG emissions and solid wastes. This project will also meet stringent new requirements for control of hazardous air pollutants, which are set forth in the US Environmental Protection Agency's Maximum Achievable Control Technology regulation for industrial, commercial, and institutional boilers.

## THE SITE

Mount Vernon is SABIC's largest manufacturing facility in the Americas, employing approximately 1,200 people. It began operations in 1960 producing one product, LEXAN™ resin. Continued investments over the years have turned the site into a best-in-class SABIC facility with expanded manufacturing capabilities. The plant produces high-performance engineering thermoplastics for thousands of applications, including mobile phones, computers, auto parts, window glazing, and airplane fabric.

## ANTICIPATED ACHIEVEMENTS

It is important that new SABIC developments add both economic and environmental value to our operations. Financially, the Co-Gen project yields a return on investment well above SABIC's hurdle rate in all scenarios modeled. The Mount Vernon facility's GHG intensity will be reduced by 35-40% compared to our 2010 baseline and we should meet our goal of a 25% reduction by 2025. This is a fantastic achievement, equivalent to removing more than 110,000 passenger vehicles from American roads annually. Additionally, the Co-Gen plant is expected to enhance the plant's energy efficiency and costs over the long term. Furthermore, the projects in Mount Vernon will contribute to 150-200 construction jobs over two and a half years and to the long-term competitiveness of the site. The local community wins, the environment wins, and SABIC wins; all motivated by our drive to be more sustainable.





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# SUSTAINABILITY SOLUTIONS FOR KEY MARKETS

We defined “enabling others to operate more sustainably” as one of our key strategic objectives in our 2012 Sustainability Report. To accomplish this we must understand both the impact of our products downstream from our manufacturing operations and the sustainability features that our customers and the marketplace need, especially in our key industry segments. Our 2025 corporate strategy identifies seven key market segments. These and their associated sustainability features are shown in the table below. Many of our existing products already provide both sustainability benefits and economic value through material or energy efficiency, reduction of GHG emissions, and recycling capability. However, most markets still need to perform much better. Therefore, there exists a big opportunity for innovation of new product designs and collaboration with our customers. For these reasons, innovating and creating sustainability solutions are high priorities for SABIC.





## TRANSPORTATION

### SUSTAINABILITY FEATURES

- Lightweight/fuel efficiency
- Passenger safety
- Non-bromine/chlorine flame performance
- Renewable/recycled content

### SABIC SOLUTIONS

- Engineering thermoplastics/elastomers
- Fuel oxygenates
- Transportation window glazing
- High-strength steels/carbon fibers
- Halogen-free flame systems
- Recycle polymer and steel raw materials



## ELECTRICAL AND ELECTRONICS

### SUSTAINABILITY FEATURES

- Thinner, stronger, and lighter
- Miniaturization
- Chemical safety
- Recycle and reuse

### SABIC SOLUTIONS

- FR and non-FR engineering resins
- High-flow/high-strength resins
- Halogen-free
- Post-consumer content products
- High-reflectivity resin solutions



## PACKAGING

### SUSTAINABILITY FEATURES

- Product protection
- Downgauging
- Renewable content
- Resource recovery

### SABIC SOLUTIONS

- Polyolefins and polyesters
- Multilayer film system
- Foam packaging systems
- Recycle-enabled materials



## FOOD AND AGRICULTURE

### SUSTAINABILITY FEATURES

- Food production efficiency
- Water availability/quality
- Supply/cost/availability
- Prevent land degradation

### SABIC SOLUTIONS

- Urea and NPK fertilizers
- Food protection
- Irrigation polymer systems
- Polyolefin films for agriculture
- Greenhouse construction panels



## BUILDING AND CONSTRUCTION

### SUSTAINABILITY FEATURES

- Energy efficiency
- Sustainable design
- Green building certification
- Renewable/recycled content
- Paint replacement

### SABIC SOLUTIONS

- High-strength steel
- Architectural glazing multiwall sheet
- Solar-integrated BIPV panels
- Fluid engineering polymers
- Home of Innovation™ design center



## CLEAN ENERGY

### SUSTAINABILITY FEATURES

- Low-footprint energy
- Reduced investment cost
- Value-chain efficiency
- Regulations/carbox tax

### SABIC SOLUTIONS

- Engineering thermoplastic sheet systems with high thermal insulation
- Carbon-fiber composites
- Resins for electrical components
- Building-integrated photovoltaic panel solutions

# SUSTAINABILITY DELIVERED

SABIC has been applying several processes and metrics to the development of innovative sustainability solutions. In our 2012 Sustainability Report we described our Sustainability Product Qualification process, in which a business team nominates products for an initial assessment of their sustainability proposition. If the product's initial sustainability value proposition is approved, then benefits and any potential drawbacks are quantified. This may include a complete life-cycle assessment and a thorough risk assessment of the chemistry used.

In the final approval phase, SABIC's business leaders and the Corporate Sustainability Department review the results of the analysis. If the benefits are substantially greater than an incumbent product and there are no significant negative sustainability features, the product is considered a qualified product in the SABIC Sustainability Product portfolio. Every product in this portfolio is targeted to be re-evaluated periodically to ensure it continues to meet the criteria for a Sustainability Product.

In our Performance Table on page 27 we report the cumulative number of products qualified through this process. In 2012, we had a total of 27 qualified sustainability products and in 2013 we qualified five additional products, creating a total of 32 qualified products. Early identification of potential Sustainability Products is an objective of our innovation-gating process.

In short, the process runs a comparative assessment of sustainability features across the life cycle for each project. Projects with significant sustainability features enter the qualification process described above during the design phase. The following discussion highlights some new or specific core products by market segment with reference to the sustainability features for that segment.

## TRANSPORTATION

Providing efficient, safe, and environmentally friendly transportation is becoming increasingly important. SABIC offers a wide range of innovative materials from the Polymer and Innovative Plastics portfolios to meet the critical needs of weight reduction, improved fuel efficiency, and safety standards. Volkswagen selected a polycarbonate (PC) glazing solution from SABIC for the XL1 diesel plug-in hybrid, the most fuel-efficient production car in the world. The windows are produced using SABIC's EXATEC™ plasma-coating technology on LEXAN™ GLX resin to maintain optical clarity and a scratch-resistant surface, while reducing the weight and thus fuel consumption of the vehicle.

SABIC collaborated with Chrysler, helping the automaker produce an instrument panel (dashboard) for the 2014 Model Year Jeep® Cherokee®. Our product, STAMAX™ 30YK270, can be molded at a thickness of 2mm – compared to standard parts molded out of polyolefin resins that are 2.5 to 4mm in size – saving Chrysler millions of kilograms of plastic over the life of the program and providing the vehicle with significant weight savings, improved fuel economy, and lower emissions.

In 2013, SABIC introduced three new LEXAN™ XHR Sheet & Film products that are fully compliant with Flame-Smoke-Toxicity (FST) and heat-release standards for aircraft interiors. The low-gloss LEXAN™ XHR6005 sheet brings velvety texture aesthetics for interior applications such as seating and window surrounds, reducing weight by 12%; LEXAN™ XHR A13 film adds robustness in multi-layer laminate constructions used in decorative interior applications; and LEXAN™ XHR5000, a co-extruded sheet, increases opacity for window shades.



EARLY IDENTIFICATION  
OF POTENTIAL  
SUSTAINABILITY  
PRODUCTS IS AN  
OBJECTIVE OF OUR  
INNOVATION-GATING  
PROCESS.

## PACKAGING

Plastic packaging enables valuable goods to be delivered to consumers without damage that might compromise their use. The costs added by plastic packaging systems are often only a minute fraction of the cost involved in making the product and in many instances a few grams of plastics are sufficient to reduce spoilage and ensure that all the material, water, and labor investment that has gone into growing delicate foods is put in use. Innovation in plastic packaging materials contributes to improved “field-to-table” efficiency that is necessary to feed more people.

Another example of SABIC sustainability solutions in food packaging is the new LDPE nExCoat™5 resins that lower the emissions and manufacturing footprint for extrusion-coating applications. A thin layer of this resin has the barrier properties needed to protect the freshness and taste of beverages like fruit juice or takeout dinners. This demanding application required SABIC to add new resins to its portfolio, which were the result of breakthroughs in manufacturing technology. In electronics packaging, we have created a new LDPE UMS2202 foam grade, which enables the production of protective thin foam sheets. This new grade stands out in that it enables lower foam densities and thinner sheets that still provide the required functionality but with material savings. In the case of laptops, tablets, or smartphones the packaging helps provide a scratch-free product on delivery to the consumer.



## BUILDING AND CONSTRUCTION

Rapid urbanization is a significant challenge in China today. In response, SABIC has demonstrated the ability to provide differentiated sustainable solutions to urban living, from solar-panel roofs to virtually unbreakable windows and corrosion-free piping solutions. The Archi-Light concept house, built entirely using innovative materials exclusively produced by SABIC, was a centerpiece at the 2013 Chinaplas exhibition for providing a view into a new era of sustainable living.

Energy consumption from building heating and air conditioning has a significant environmental and cost burden today. Available in solid and multiwall format, our LEXAN™ Solar Control IR sheet technology selectively absorbs a large part of the near-infrared spectrum of sunlight, while transmitting diffused daylight. When multiwall format is used for glazing, annual energy savings of 15-25% for cooling and heating can be achieved through improved thermal insulation and solar control compared to standard double-pane glass. Compared to single glass, LEXAN™ THERMOCLEAR™ multiwall sheet retains 50% more heat, contributing substantial savings ranging from 20% to 45% of energy demand. Further, SABIC's material is more than 50% lighter than glass and virtually unbreakable, making it resistant to hail, and easy and safe to work with.



## HEALTHCARE

Some key sustainability trends in the healthcare industry include product safety, infection prevention, and affordable access. All of these trends provide opportunities for SABIC to develop new engineered thermoplastics and polymer material solutions for the healthcare industry.

SABIC has created a portfolio of innovative sterilization-resistant materials, such as ULTEM™ HU1004 resin, which is designed to withstand multiple cycles of high-temperature steam autoclave, gamma irradiation, or hydrogen-peroxide gas sterilization without interfering with performance or altering the aesthetics of the

medical device. Greater durability to sterilization is important as the healthcare industry uses increasingly aggressive techniques to combat patient infections associated with medical care, which can cause degradation of other traditional thermoplastics. Our dedicated SABIC® PCG portfolio consists of a wide range of Polyethylene (PE) and Polypropylene (PP) solutions that are typically used in a variety of key applications such as containers, bottles, vials, syringes, and diagnostic tubes. Our materials solutions enable customers to optimize, among others, production efficiency, squeezability, sterilization, and drug preservation during expected shelf-life.



## ELECTRICAL AND ELECTRONICS

SABIC products help create electrical and electronic products by combining innovation with sustainability. Our solutions include halogen-free flame-retardant resins, compounds that can accelerate the shift towards more energy-efficient LED technologies, know-how to drive productivity and design-cycle flexibility, and a post-consumer recycle (PCR) portfolio of 25 products.

One of our newest applications is Switch Lighting's SWITCH® infinia™ LED A-lamp bulb. This uses Switch's patented liquid thermal-management system and features an injection blow-molded globe made with LEXAN™ LUX resin using MAX Diffusion technology. The use of the LEXAN™ LUX resin globe in this award-winning Energy Star® certified LED lamp replicates the light distribution and quality that consumers have come to expect from traditional incandescent bulbs, at an affordable price.

## FOOD AND AGRICULTURE

The food industry faces many sustainability challenges, including the need for increased productivity; the negative environmental impact of fertilizers; risks from climate change; competition for arable land; and water availability. We believe our fertilizers contribute to the global challenge of “feeding the world, sustainably”. SABIC produces urea, phosphate, and optimized compound fertilizers that help farmers to improve food yields and produce more food from less land.

SABIC launched two new NPK grades in the Saudi Arabian market specially designed for the unique soil and climate conditions in the country. They provide targeted, balanced nutrients for high-value cash crops and illustrate how SABIC is able to develop customized products as well as commodity fertilizers. SABIC™ fertilizer is frequently combined with SABIC polymer systems that distribute water and fertilizer for high-productivity/precision farming.



## CLEAN ENERGY

As demand for solar power rises, SABIC is helping to drive the feasibility and integration of this increasingly preferred energy source with its first polycarbonate (PC) building-integrated photovoltaic (BIPV) panel, LEXAN™ BIPV panel, for roofing, cladding, and glazing applications. This new solution provides architects and builders with enhanced design freedom, thermal insulation, easy installation, and energy production in a single, integrated solution. Available in multiwall and solid polycarbonate sheet structures, in comparison with traditional BIPV materials, the SABIC panels can be easily cold bended onsite to form graceful, curved roofing systems integrating daylighting and photovoltaic. These virtually unbreakable, ultraviolet (UV)-protected PC panels promote safety and are exceptionally durable for long, useful life.

Urea is often thought of as only a fertilizer. However, SABIC has introduced grades of urea that enable much cleaner transportation and more efficient fuel consumption. It is increasingly common to use urea solutions to allow diesel engines to operate more efficiently at higher temperatures without the risk of increased nitrogen-oxide emissions. Injected in liquid form into diesel exhaust, urea can render the unwanted nitrogen oxides harmless. Furthermore, SABIC will begin producing carbon fiber in Saudi Arabia in the near future, where it will serve as a material in renewable-energy generation applications such as wind turbines.

## EMPLOYEE TESTIMONIAL

VALUE CHAIN  
VISIONARY

**FABRICE BERTINCHAMPS**  
GENERAL MANAGER, TECHNOLOGY MANAGEMENT  
POLYMERS BUSINESS  
RIYADH, SAUDI ARABIA

An increasing number of SABIC solutions now provide both economic and environmental benefits, revealing the clear sustainability features of our product portfolio across the value chain. This means we are able to address a large range of stakeholder needs. For example, we have products that enable our customers to make products using less energy. For engineers in the building and construction industry, our state-of-the-art HDPE products reduce the overall environmental footprint in water distribution. Further down in the value chain, our polypropylene and other products assist with weight reduction and lower fuel consumption. Additionally, our skills at optimizing the film thickness of packaging in recent years have enabled the packaging industries to do more with less material. This has had a significant positive contribution to the total life cycle of numerous products that is in many cases underestimated.

This focus on sustainability solutions at SABIC is only set to increase. Sustainability products, as qualified via our stringent sustainability product-qualification process, now represent a sizeable share of our business and are responsible for a significant impact in GHG reduction when the total life cycle is taken into account. The estimated impact of ten of our sustainability solutions, measured in avoided emissions, is 3 million metric tons of CO<sub>2</sub> equivalent. These figures will grow, further enabling our customers to meet their sustainability targets while providing economic growth for all.

We intend to further differentiate our portfolio based on sustainability value for specific markets. For example, in healthcare we continuously strive towards further consumer protection. In the packaging industry, we will be piloting how the use of renewable feedstocks can satisfy customer needs in specific markets and regions. Our vision is to increase intimacy and collaboration across the value chain to gain a deeper understanding of the needs of our customers and their applications.

“  
THE ESTIMATED IMPACT OF  
TEN OF OUR SUSTAINABILITY  
SOLUTIONS, MEASURED  
IN AVOIDED EMISSIONS,  
IS 3 MILLION METRIC TONS  
OF CO<sub>2</sub> EQUIVALENT.  
”

## COLLABORATING ON SUSTAINABILITY BY DESIGN

New materials are not the only form of sustainable solution possible. Frequently, innovation in application design provides the best sustainability advantages. Application designs that reduce weight or make products more recyclable or reusable are essential. To foster collaboration on design for sustainability, SABIC has invested in new application design centers, most recently in Riyadh. Also currently under construction at this site is the Home of Innovation™ center, which was highlighted in our 2012 Sustainability Report. These capabilities will be important in the overall life-cycle innovation with our customers and other collaborators.

In July 2013 we also held our first Design 4 Sustainability workshop in SABIC at our site in Bergen op Zoom, the Netherlands. Over 50 design engineers from our customer base in Europe participated in the event.

SABIC and our customers gave presentations and exchanged views on a broad range of subjects relating to sustainable product design. Throughout the course of the workshop, participants were asked about their opinions on basic sustainability issues and their expectations of SABIC, providing some very insightful feedback. We learned that the primary driver for our customers in creating more sustainable products was the expectations of their customers.

In this context, suppliers in the value chain were expected to play a key part in delivering sustainability improvements. Application-design support was the most important contributor to making their products more sustainable, followed by collaboration to find shared solutions. The Design 4 Sustainability workshop convinced us that we are taking many of the right steps to provide sustainable solutions and that customer and value-chain collaborations will be essential means in this regard. More workshops are planned.





# INNOVATION AND VALUE CREATION

Long-lived and economically successful companies demonstrate an ability to innovate and react to the changing needs of society. Today, society is expecting technical solutions to the global megatrends in, for example, energy, food, water, climate, and job creation. Pioneering new product and process designs will play a big part, so a culture of innovation is vital for companies that want to share in the growth created by sustainability solutions.

Innovation is among the highest SABIC priorities for sustainability. Our objective is to create innovative solutions for major sustainability needs at each step of the life cycle, for example breakthroughs in our basic hydrocarbon feed stocks, our manufacturing processes, catalyst and material technologies, and product and application designs.

To achieve sustainable economic value through innovation there are several basic processes and measurements for SABIC, including: investment in scientists and research assets; external collaboration; and innovation portfolio management. SABIC opened four new Technology and Innovation Centers: the Corporate Research & Innovation Center at King Abdullah University of Science and Technology near Jeddah; the SABIC Plastics Application Development

Center in Riyadh's Techno Valley; and the Shanghai, China and Bengaluru, India Technical Centers. These major investments bring our dedicated R&D labs worldwide to 18, employing more than 1,500 skilled scientists. This network of scientists and laboratories provide us with the ability to tackle some of the most fundamental technical issues in our industry, like CO<sub>2</sub> utilization, low-cost H<sub>2</sub> generation and methane activation.

Innovation often comes in the form of new product and application design. Our laboratories are located close to our major markets and customers, which enables collaboration and creation of products that address their needs. Metrics for measuring innovation are included in the Performance Table on page 27.



The Riyadh Center shown here is LEED-certified at gold level, as are the new laboratories in Shanghai and Bengaluru.



## ECONOMIC CAPITAL

SABIC employees have unique access to a world-class research support community. They have a link to researchers in 45 different countries, innovative university faculties, and Shaheen, the most powerful supercomputer in the Middle East.



#### NATURAL CAPITAL

Architects and builders can integrate sustainable solar energy into their designs with SABIC's LEXAN™ BIPV (building-integrated photovoltaic) panels for roofing, glazing, and cladding.



# LOOKING FORWARD

“WE BELIEVE OUR BIGGEST OPPORTUNITY IS TO PROVIDE INNOVATIVE PRODUCTS AND SERVICES THAT IMPROVE THE ENVIRONMENTAL IMPACT OF CUSTOMERS, CONSUMERS, AND SOCIETY AS A WHOLE.”

Our strategy is to increase the positive impact we are already having on our stakeholders across the value chain by distributing direct and indirect economic value. We will do this by continuing to make capital investments in manufacturing technologies that reduce our impact on the environment; investing in innovation and the development of sustainability solutions; diversifying our product offerings; and improving the relationships we have with our customers across various market segments.

We need to create more value in collaboration with our suppliers and set expectations for improved economic, social, and environmental performance. This will be a key component of our strategy to drive overall improvements in our supplier processes currently under way.

We also need to integrate environmental, human, and societal value assessment more deeply into investment planning early in the Engineering and Project Management gating process, so that we consistently estimate the true value of each project we undertake.

While we are committed to reducing our own natural footprint, we believe our biggest opportunity is to provide innovative products and services that improve the environmental impact of customers, consumers, and society as a whole. We therefore need to improve how our business units measure their performance at providing sustainability solutions. We will expand our use of “Design 4 Sustainability” workshops, so we better appreciate and respond to the material and application design needs of our customers and their customers.

Most importantly, we need to develop our innovation culture by using and refining the tools we have to improve the delivery and the impact of our portfolio of innovation projects. In the long term our industry will face serious problems around hydrocarbon feedstock availability and the implications of how we use them today. Polymers possess amazing sustainability features, but these are tarnished by the lack of reuse and restorative technology. We need more efficient processes to create material building blocks and to recover those building blocks at the end-of-life of consumer products. Solving major problems like this and others through ingenuity and innovation will enable SABIC to achieve its full potential as a sustainability solution provider.

04

# PROTECTING NATURAL CAPITAL



NATURAL AND FINANCIAL CAPITAL  
A strategic project with our joint  
venture Sinopec to install pipelines to  
the port will eliminate 17,000 trucks  
from Chinese roads.





17,000

TRUCKS CAN BE  
REMOVED FROM  
THE CHINESE ROADS.



# OUR APPROACH

SABIC's business currently depends on the availability of non-renewable hydrocarbons for both raw materials and energy. This means that using them efficiently is one of our highest priorities. We are not simply concerned about supply. We are also concerned about how our operations and our products affect the environment across the value chain, particularly in relation to GHG emissions.

From an operations perspective, three years ago we created 2025 goals for GHG, Energy, Water, and Material Loss intensity reduction to stimulate environmental footprint initiatives across our business.

Our energy consumption and GHG emissions are linked very closely. Improving on these two environmental goals and developing alternative sources of energy and raw materials are at the center of our sustainability strategy. We are also working to reduce our release of hazardous materials and to conserve fresh water, especially in water-stressed locations.

From the overall value-chain perspective, we are developing processes and goals to improve the footprint of our products across the entire life cycle. This scope includes the impact of raw-material supply, our manufacturing, distribution, customer and consumer use, and product end-of-life.

Improvements in our impact on natural capital will also advance the economic and social dimensions of our sustainability strategy and our business.

“  
THESE IMPROVEMENTS  
IN NATURAL CAPITAL WILL  
IMPACT BOTH ECONOMIC  
AND SOCIAL DIMENSIONS.  
”

# OUR PERFORMANCE

## HIGHLIGHTS

- Scope 1, 2 emissions reported to the Carbon Disclosure Project
- Metrics for CO<sub>2</sub> utilization and avoided emissions developed
- Olefin cracker upgraded to decrease energy usage by 1.5 million GJ
- Flaring emissions in Saudi Arabia reduced 30% since 2010
- Project in Jubail to increase CO<sub>2</sub> capture and use announced
- Co-generation project announced for Mount Vernon, Indiana site will reduce material losses 45%, GHG emissions 35%
- Opened three new LEED Gold technology center buildings
- Number of hazardous release incidents reduced 50%

## KEY FACTS

OPERATIONAL KPI % REDUCTIONS SINCE BASE YEAR 2010



2,500,000<sup>MT</sup>

TOTAL CURRENT  
CO<sub>2</sub> UTILIZATION

# FOOTPRINT AND RESOURCE EFFICIENCY

Our operational footprint objective is to minimize the environmental impact of production by implementing new business processes and executing improvement projects. We have set aggressive performance targets based around four key operational metrics. Our ambition is to reduce our GHG, energy, and water intensity by 25%, and to reduce material-loss intensity by 50% versus 2010 levels by 2025. Intensity is calculated using product sales volume external to SABIC. We have begun efforts to estimate Scope 3 emissions, to report Scope 1-2 emissions to the Carbon Disclosure Project in 2013, and to track our internal use of CO<sub>2</sub> as a raw material. We have taken steps to minimize material losses, maximize the use of post-industrial recycled materials, and utilize by-products from other SABIC industrial processes as raw material to replace non-renewable feedstock sources.

## REPORTING

We track direct and indirect GHG emissions for all of our global manufacturing facilities that are within our financial consolidation boundary. Our reporting is based on the World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) GHG Protocol, WBCSD Chemical Sector Value Chain GHG Reporting and Accounting Guidance, and the American Petroleum Industry Guidelines for Reporting GHG Emissions. Internal corporate and manufacturing-level reporting protocols define how we implement these measurement and reporting guidelines.

As described in the “About this Report” section, our reporting boundary matches financial consolidation as documented in our Annual Report. Beginning in 2013, the Sinopec SABIC Tianjin Petrochemical Company (SSTPC) joint venture was removed as a partially consolidated entity in SABIC’s financial report in order to align with international accounting rules for joint investment. Therefore, the SSTPC site data were removed from the SABIC operational footprint and intensity calculations. Historical footprint data back to the 2010 base year have been adjusted in this report to correct for this structural change as well as to correct any other accounting errors. These adjustments will alter previously reported footprint performance results. Since our reporting base year (2010), SABIC has implemented work processes and procedures to ensure the accuracy of our operational footprint data, the results of which have been verified and assured by a third party.

## PERFORMANCE

In 2013, SABIC’s performance improved against all four metrics on an absolute basis compared to 2012 and against our 2010 base year. We significantly improved our ability to track operational impact performance in 2013 by switching from annual to quarterly accounting of footprint data for all KPIs across the full global organization. More frequent data availability will enable better understanding of drivers and quicker response to operational changes. Boundary conditions and product mix effects had the largest effect on our performance this year. The most significant effects were the positive impact of an extended shutdown of a high-intensity process operation and higher external sales volumes from our low-intensity gas facility. We expect future performance results to be similarly influenced by large operational events, product mix shifts, and any adjustments to reporting boundaries.



### NATURAL AND FINANCIAL CAPITAL

SABIC started work on a new Saudi Arabia standalone urea plant this year. As well as dramatically reducing GHG emissions, it will hugely improve energy and water efficiency while supplying farmers with lower CO<sub>2</sub> footprint fertilizers.





NEW  
UREA PLANT  
REDUCES  
EMISSIONS  
AND PROVIDES  
FARMERS WITH  
NECESSARY  
FERTILIZERS.



## GHG AND ENERGY

Our total absolute GHG emissions in 2013 were 55 million MT CO<sub>2</sub> eq\*, using a financial control boundary, compared to the 2010 base-year emissions of 57 million MT CO<sub>2</sub> eq. Our total energy use in 2013 was 730 million GJ\*, compared to base-year usage of 764 million GJ. In 2013, our GHG intensity dropped by 2% and energy intensity was reduced by more than 3% compared to 2012 levels. In the trend chart you can see our footprint data for 2013 and the preceding three years compared to a straight target line from base year to goal. SABIC operates many sites that are joint ventures with various business partners, and if our absolute GHG footprint is calculated based on an equity-share boundary for these sites (rather than financial-control boundary) then the result is 38 million MT CO<sub>2</sub> eq for 2013. SABIC's share of our equity-based footprint for the other three KPIs is also approximately two thirds of each absolute value indicated in this report.

One way that SABIC has a positive impact on the environment is through CO<sub>2</sub> utilization as a feedstock. Several of our current process operations use CO<sub>2</sub> as a raw material, with a total usage of more than 2.5 million MT annually. This will be significantly increased thanks to a recently announced cross-affiliate collaboration project in the Jubail complex, which will increase the utilization rate of CO<sub>2</sub> by transferring concentrated vent sources from one process to use as a feedstock for other affiliates, and to produce a liquid CO<sub>2</sub> product for external sales. Innovation to increase CO<sub>2</sub> utilization is being encouraged as part of our sustainability portfolio concept.

GHG and energy-reduction efforts continue to focus on a combination of energy-conservation actions and capital projects aimed at securing the greatest environmental and financial returns on investment. Efforts across multiple SBUs and affiliates have reduced flaring, which positively impacts both GHG emissions and material losses. Flaring across SABIC has been reduced by approximately one third since 2010 and additional projects are planned to reduce emissions from this source further.

Energy efficiency targets based on benchmark techniques have been established for petrochemical and steel industries in Saudi Arabia under a governmental initiative called Saudi Energy Efficiency Program (SEEP). SEEP aims to improve the overall energy efficiency in Saudi Arabia for three main sectors – industry, buildings, and transportation. SABIC is a member of the governmental advisory panel for SEEP and collaborated with the government on benchmarking key facilities. The expected result of SEEP will be better industry performance compared to global process benchmarks, which will accelerate reductions in energy use and GHG emissions. SABIC completed a significant operational upgrade in 2013, which is expected to have a positive impact on sustainability metrics. Our Olefins 4 naphtha cracker in Geleen, the Netherlands, has been made more energy-efficient through substantial investments, which are expected to reduce energy consumption by 1.5 million GJ per year.

### GHG EMISSIONS (MILLION MT CO<sub>2</sub> EQ)

	2010	2011	*2012	*2013
Scope 1	40	39	40	38
Scope 2	17	17	18	18
Total	57	57	57	55

### GHG EMISSIONS (MILLION MT CO<sub>2</sub> EQ)

	2010	2011	*2012	*2013
CO <sub>2</sub>	56	56	57	55
CH <sub>4</sub>	0.1	0.1	0.1	0.1
N <sub>2</sub> O	0.0	0.0	0.0	0.0
F-gases	0.3	0.3	0.4	0.3

\*Assured by KPMG

Another operational upgrade was completed in our Al-Bayroni plant in Jubail, Saudi Arabia. The site completed a major retooling of their process boilers, which will result in 15% reduction in GHG emissions and more than 9% decrease in energy usage. The Innovative Plastics site in Mount Vernon, Indiana, has announced a co-generation project that is expected to reduce overall GHG emissions from the site by more than 35%. This substantial decrease will result from a new, more energy-efficient plant and by switching from a coal/gas mix to a gas-only mix for energy generation.

In Europe, our Bergen op Zoom manufacturing site has developed a contractual arrangement that allows excess energy produced by SABIC's co-generation plant to be supplied as steam for the neighboring Cargill plant, helping to power the processing of wheat into starches, sweeteners, and ethanol. Recently the amount of steam provided to Cargill has increased fourfold, allowing the plant to operate more efficiently and reducing total CO<sub>2</sub> emissions associated with operations.

SABIC reported GHG performance information to the Carbon Disclosure Project (CDP) for the first time in 2013 and we plan to continue to report annually. CDP is an international nonprofit organization that facilitates reporting of GHG emissions and other sustainability performance data. Participation not only meets the needs of our customers, but also demonstrates SABIC's commitment to transparency and benchmarking of sustainability impacts. We reported privately in 2013 through CDP's Supply Chain Module to meet customer requests.

“  
WE COMPLETED OR  
LAUNCHED A NUMBER  
OF SIGNIFICANT  
OPERATIONAL  
IMPROVEMENTS IN  
2013 AT VARIOUS  
GLOBAL LOCATIONS.  
”

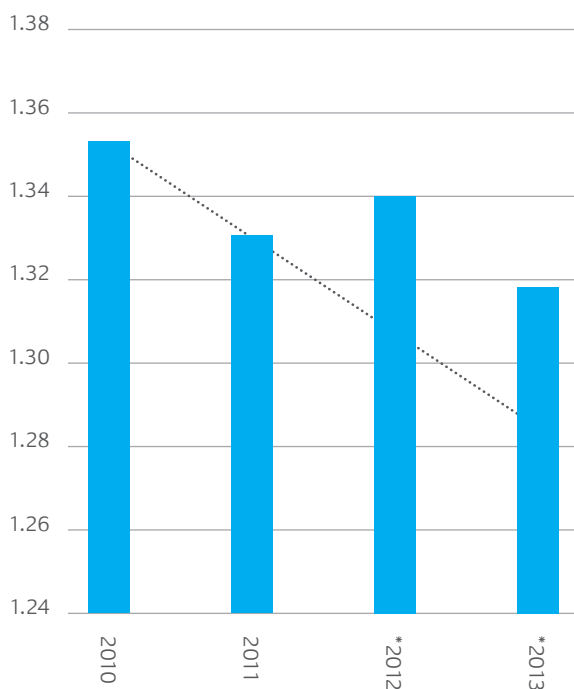
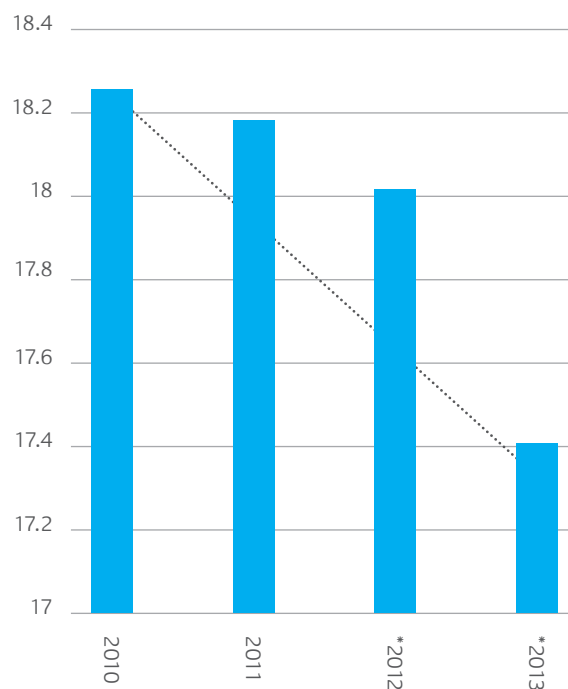
FIG 1. GHG INTENSITY (MT CO<sub>2</sub> EQ/MT PRODUCT SALES)

FIG 2. ENERGY INTENSITY (GJ/MT PRODUCT SALES)



..... Target line  
\*Assured by KPMG

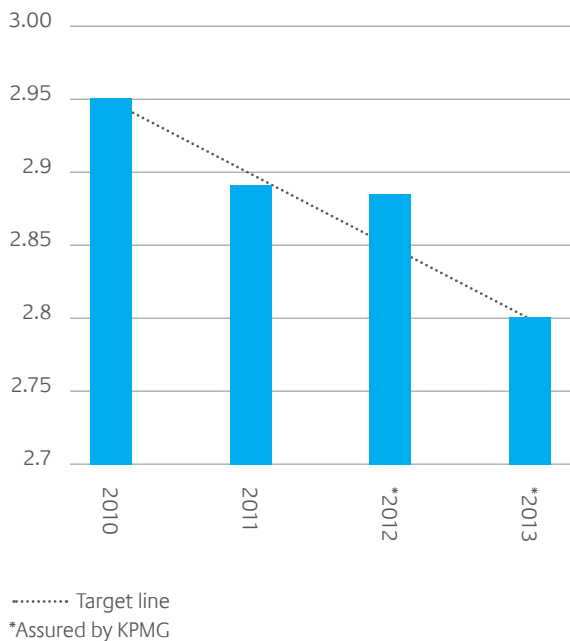


SABIC Technology Center in Bengaluru is working on sustainable water projects.

## WATER

One of our sustainability goals is to reduce freshwater usage in our process operations, with special priority on reduction in water-stressed areas. The majority of the water used in our manufacturing operations is recycled multiple times and operational practices are followed to minimize usage. Our total absolute fresh-water usage in 2013 was 118 million m<sup>3</sup>\*, compared to 123 million m<sup>3</sup> in 2010. Water-usage intensity improved approximately by 4% in 2013 compared to 2012.

FIG 3. WATER INTENSITY (m<sup>3</sup>/MT PRODUCT SALES)



Incorporating sustainability evaluation early in process design can result in impressive benefits. Actions by our Petrokemya affiliate, where a new acrylonitrile-butadiene-styrene (ABS) copolymer plant is under construction, demonstrate this. The project team at this site in Jubail recognized at the basic design phase that projected water-usage rates were much higher than current affiliate rates. In response, the team incorporated sustainable design considerations to identify a 93% water-recycle-rate improvement opportunity. These design changes are expected to deliver operating-expense savings of US\$ 470,000 per year and overall site-water intensity will actually decrease through execution of this project. Sustainability criteria have been incorporated into the gating process for every major capital project, so we expect similar future improvements from taking a sustainable design approach in all our large engineering projects.

The relative priority for reducing water consumption varies significantly across our operating regions, as well as between individual locations within a region. Saudi Arabia is a highly water-stressed region where the fresh water provided by the external utilities is produced via energy-intensive desalination, for example. This means water savings at our Saudi Arabia sites has even more environmental benefits than in other operating regions. We estimate that our 3% decrease in absolute water usage in Saudi Arabia region from the base year to 2013 has resulted in Scope 3 GHG avoidance of 37,000 MT CO<sub>2</sub> eq.

Even though the footprint of our office buildings is relatively small compared to that of our process operations, SABIC has taken steps toward water conservation here too. The new SABIC Technology and Innovation Center in Bengaluru, for example, included construction of a collection pond designed to increase the local water table over time. This LEED Gold-certified building design also concentrated on landscape benefits by restoring habitat, controlling erosion, and using treated gray water for irrigation. SABIC's new Technology Center in Shanghai also achieved LEED Gold certification in part because of the efficient water use of its landscape. SABIC Plastics Applications Development Center (SPADC) at Riyadh Techno Valley, King Saud University, has also received LEED Gold certification.



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THE COMPOUNDING  
PLANT IN MOKA, JAPAN IS  
AN INSPIRATION FOR ALL  
MANUFACTURING PLANTS.  
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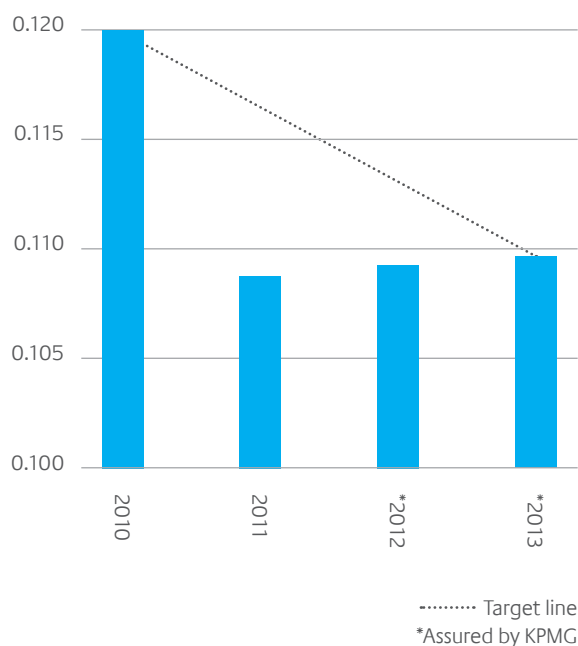
## MATERIAL LOSS

Efficient use of resources is very important to our business because the majority of our raw material feedstocks are non-renewable. Our optimization efforts include pushing for higher process yield and reducing losses from our current operations; looking for ways to integrate material streams between our plants; and maximizing use of post-industrial recycled materials. One measure of our operational resource efficiency is our Material Loss KPI, which is the sum of process-material losses to flaring, process vents, fugitive losses, hazardous and non-hazardous wastes, and process material lost to waste-water treatment. SABIC takes this comprehensive measurement approach to allow our diverse sites to focus on the most important aspects of material loss for each process. We also use this concept to reinforce the importance of optimizing material usage in our production operations. Improvements in Material Loss typically result in additional material availability for production or reduction in waste disposal, so improvements directly impact economic performance. Our total Material Loss in 2013 was 4.6 million MT\*, compared to 5.1 million MT in 2010. The reduction since our base year on both absolute and intensity basis was approximately 10%.

Flaring and venting are our areas of biggest opportunity; they are also where we have made the most overall progress. Flared material volumes have been reduced by approximately one third since 2010, which has provided the most significant improvement in Material Loss. The second most significant category is process venting. The CO<sub>2</sub> utilization project described in the GHG section above will very positively impact our Material Loss performance. It is an excellent example of by-product synergy – using relatively low-value by-products from one process as a raw material for another SABIC process. We continue to evaluate our by-products and waste materials to identify potential cross-site synergies. Sites in multiple regions and business units have contributed to our recent progress. For example, the ethylene-oxide plants located in Saudi Arabia have worked to turn heavy waste materials into product rather than sending the material to incineration. This process change resulted in reduced material losses and reduced GHG emissions/energy use from incineration, as well as increased revenue from product sales, making it an excellent example of progress across several sustainability dimensions.

Our Mount Vernon, Indiana site announced that a gas-fired co-generation plant would be installed to replace all coal usage. This project is expected to result in 25% less waste generation for the site, which will address the biggest reduction opportunity for the Innovative Plastics business. Our Cartagena, Spain site achieved 20% improvement in material loss year on year by combining two raw-material supply processes, which reduced the amount of waste material to the flare. Our compounding plant in Moka, Japan provides an excellent example of achievement that is an inspiration for all manufacturing plants. The site successfully achieved 86% reduction of industrial wastes and waste-treatment costs were reduced by 73%. This example shows the economic benefit from focus on sustainability in our operations.

FIG 4. MATERIAL-LOSS INTENSITY  
(MT/MT PRODUCT SALES)



## EMPLOYEE TESTIMONIAL

# WORKING TOWARD A COMMON GOAL



**DEBORAH DOWNEY**  
SUSTAINABILITY REGIONAL LEADER  
MANUFACTURING CENTER OF EXCELLENCE  
BURKVILLE, ALABAMA, USA

I work as part of the Manufacturing Center of Excellence (MCE), leading analysis and tracking of the energy, GHG, water, and waste footprint of SABIC's 20 manufacturing, compounding, and technology-development sites in the Americas. I am also involved in helping individual sites create strategic plans to reduce their footprint, such as the coal-to-gas investment at our Mount Vernon, Indiana site.

Ensuring that SABIC is utilizing resources in an efficient manner and meeting sustainability targets is critical for our long-term competitiveness, and is something I am personally committed to. We make products that bring value and innovation to the world we live in, but we are an energy-intensive industry that consumes nature's raw materials at a high rate. This means we have a large responsibility to make a difference within our own footprint boundaries.

SABIC's ambitious footprint-reduction targets are particularly challenging for the locations that have been optimizing their operations and processes for decades. So the question is: how do we tackle this? Quite simply, it's about all 40,000 SABIC employees working toward a common goal. There are a large and complex number of interactions that determine the footprint of a chemical operation. This is why it is so important for every member of the SABIC team to understand that environmental impacts must be considered in every action and project. For example, a simple maintenance replacement or an operational fine-tuning action can have a positive impact on sustainability.

“  
**IT'S BEEN REWARDING  
TO SEE THE RESULTS OF  
DEVELOPING THE AWARENESS  
AND TECHNICAL CAPABILITY  
OF OUR PEOPLE.**  
”

A major part of achieving this level of collective action is through education. To inform the business about operational improvement, we have created Sustainability Footprint and Opportunity Assessment training modules, which my team has delivered globally. It's been rewarding to see the results of developing the awareness and technical capability of our people. I feel strongly that Sustainability training and awareness for all employees will become even more imperative as we move forward with SABIC's sustainability ambitions.

I feel we have certainly advanced the awareness and engagement of all employees in the last few years. I expect and am excited to see additional progress.

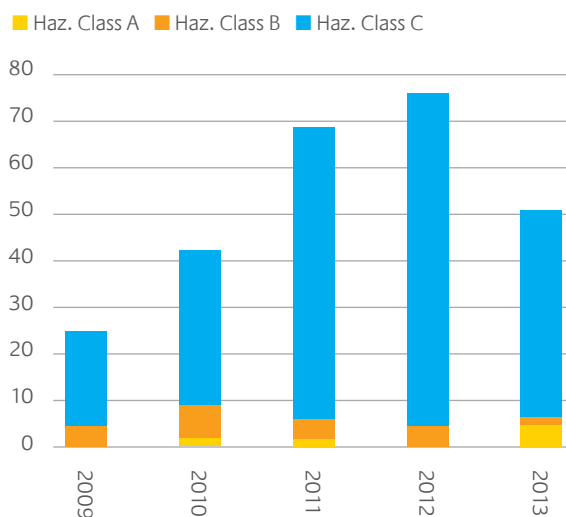
# ENVIRONMENTAL EMISSION PERFORMANCE

Our commitment and concern for our global environmental footprint must be matched by a strong focus on the protection of the local environment around each of our operating sites. To achieve this, we take any release of hazardous substances from our operations very seriously. Environmental-emission performance is a key component of our integrated SHER metric, and all significant releases in each of three classes, from A (most severe) to C (least severe), are included.

In 2011, we revised our EHSS standards defining the make-up of the integrated SHER metric, reducing the threshold for reporting Class C hazardous spills by 90%, from 1,000kg to 100kg. Our aim in making this change was to challenge ourselves and demonstrate to our stakeholders that we are committed to improving our environmental impacts and the management of our operations. We have made some progress in 2013, with the number of hazardous-substance chemical releases reduced to 50, compared to 75 in 2012. Despite this welcome reduction in the overall number of incidents in Classes A, B, and C, we remain concerned that the quantity of material released by a few of the most serious (Class A) incidents increased compared to 2012, rising from 46 MT to 200 MT. An example of this type of Class A incident was caused by third-party damage to our naphtha pipeline transportation assets in Europe, resulting in the release of approximately 70MT of naphtha. Although there was no significant environmental damage as a result of these larger releases, and the affected areas were remediated responsibly, we have identified a number of improvement actions from our investigation of these incidents. We are committed to deliver on these improvement actions as we strive to continue the reduction in both the overall number of release incidents and their magnitude.

Our work to eliminate environmental releases extends well beyond the control of unintended releases of hazardous substances. For example, in the supply-chain case study on page 122 of this report, we describe storage-tank investments by our Chemicals business to prevent the release of 6,000 MT of Volatile Organic Compound (VOC).

TOTAL NUMBER OF HAZARDOUS-SUBSTANCE  
CHEMICAL-RELEASE INCIDENTS



Additionally, our Metals business has invested in two steel furnace de-dusting systems that will reduce dust emissions from our furnaces by approximately 60%. Finally, all four urea plants that are part of the Fertilizers business affiliate, SAFCO, have installed ammonia-capture systems on their urea granulator towers, resulting in almost 90% reduction in ammonia releases – well beyond any regulatory expectation.

# FERTILIZER BUSINESS OPPORTUNITIES

Our Fertilizers business is positioned at the nexus of one of society's most urgent global sustainability issues: meeting the rapidly expanding demand for food. The agricultural industry needs to increase production while reducing GHG emissions, eutrophication of watersheds, and habitat degradation. At SABIC, we are playing a key role in addressing these challenges.

We have examined the impact of our Fertilizers business across the entire value chain, using a thorough LCA. This has allowed us to identify a portfolio of actions to improve the SBU's sustainability impact. For example, our primary product – urea – requires CO<sub>2</sub> to be combined with ammonia. So a major project during 2013 has been to invest in CO<sub>2</sub> recovery systems that capture the gas vented from ammonia production and use it in SAFCO V – a major new urea expansion based in Jubail, Saudi Arabia. As a consequence, the Fertilizers business will be able to reduce its GHG emissions by converting captured CO<sub>2</sub> into a valuable product. The increased urea production from SAFCO V is also vital for meeting global demand, especially in places like Africa where the benefits of fertilizer on yield are not fulfilled.

“  
FERTILIZERS BUSINESS  
CAN MAKE A SIGNIFICANT  
CONTRIBUTION TO  
ADDRESSING SOME OF  
THE WORLD'S MOST  
IMPORTANT SUSTAINABILITY  
CHALLENGES.  
”

Additionally, the Fertilizers business has partnered with our Chemical business in utilizing captured CO<sub>2</sub> from their ethylene-glycol production, further reducing SABIC's overall environmental footprint. Finally, we have made investments in efficiency that will reduce energy consumption by 15% in one of our ammonia plants and package boilers.

New sustainability product opportunities for urea can also be found in the transportation segment. We are introducing a specific grade of urea that can be injected into the exhaust stream of diesel engines ahead of the catalytic converter. This allows the engines to run hotter and more efficiently, while reducing hazardous emissions by converting nitrogen oxide into harmless nitrogen.

A second major outcome of our LCA was that improved fertilizer efficiency was essential to expanding food production with lower environmental impact. Achieving improved efficiency in the use of fertilizer involves a complex mixture of the right composition, release properties, physical form, precision application, and farmer education. SABIC is active on all fronts through product innovation and engagement with end-users.

Through this commitment to reducing operational impact and innovating sustainable solutions, we believe that our Fertilizers business can make a significant contribution to addressing some of the world's most important sustainability challenges.



# EMBEDDING LIFE-CYCLE CONCEPTS

SABIC's sustainability program is founded on Life Cycle Thinking – a concept that enables us to consider impacts to natural capital across multiple types of environmental impacts (global warming potential and cumulative energy demand, for example) as well as across the full product value chain. Life Cycle Assessment (LCA) provides the technical backbone for our sustainability project-portfolio assessment and quantification of product environmental impacts to support business decisions. We doubled the size of our internal LCA resources in 2013 to enhance our capability in applying the method across our business processes.



Understanding the potential impacts early in the development process allows for improved decision-making, which will help SABIC to develop a more sustainable product portfolio. We consider some SABIC products as sustainability solutions because they have improved sustainability features across the value chain with no significant negative impacts compared to the incumbent solution. These improvements are typically evaluated using LCA. For upstream impacts, we look at our raw-material supply, including renewable feedstock or post-consumer wastes as feedstock.

Within our operations, we examine technologies or process upgrades that impact our operational KPI reduction targets, chemical and process safety, and material efficiency. Some of our products can enable customers to save material and energy, while others provide inherently safer composition or products with lower environmental burden to end-use consumers. Our products can create options for better management at end-of-life – such as compositions which improve recyclability. All these sustainable benefits come alongside other desired functionality and performance.

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SUSTAINABILITY DELIVERED

# LIGHTER LEAF®



#### NISSAN LEAF® BATTERY COMPONENTS

For electric and hybrid electric vehicles (EVs, HEVs), one of the dominant needs today is to reduce vehicle weight. Nissan addresses this challenge on the 2013 LEAF® by using lightweight NORYL™ resin from SABIC for key applications of the battery system. This allowed Nissan to cut the weight of these parts by up to 20%.



We use the concept of “avoided emissions” to increase focus on climate-change impacts in our business. This involves estimating full product value-chain GHG emissions for our products as compared to comparable market-incumbent solutions. If our product results in lower overall GHG emissions, that reduction is called “avoided emissions.” This concept will help our business to develop a more competitive product portfolio for a carbon-constrained world. Of course, full impacts to natural capital are complex and multiple impact categories across the entire product value chain will be considered in order to make informed choices.

The chart above shows the full life-cycle GHG emissions impact from an automobile fender made from two different materials. Of the two, the resin material has a higher footprint in the initial manufacturing phase, but the lighter weight saves significant energy in the use phase of the auto, so the overall GHG impact from using the resin fender is much less than that for steel.

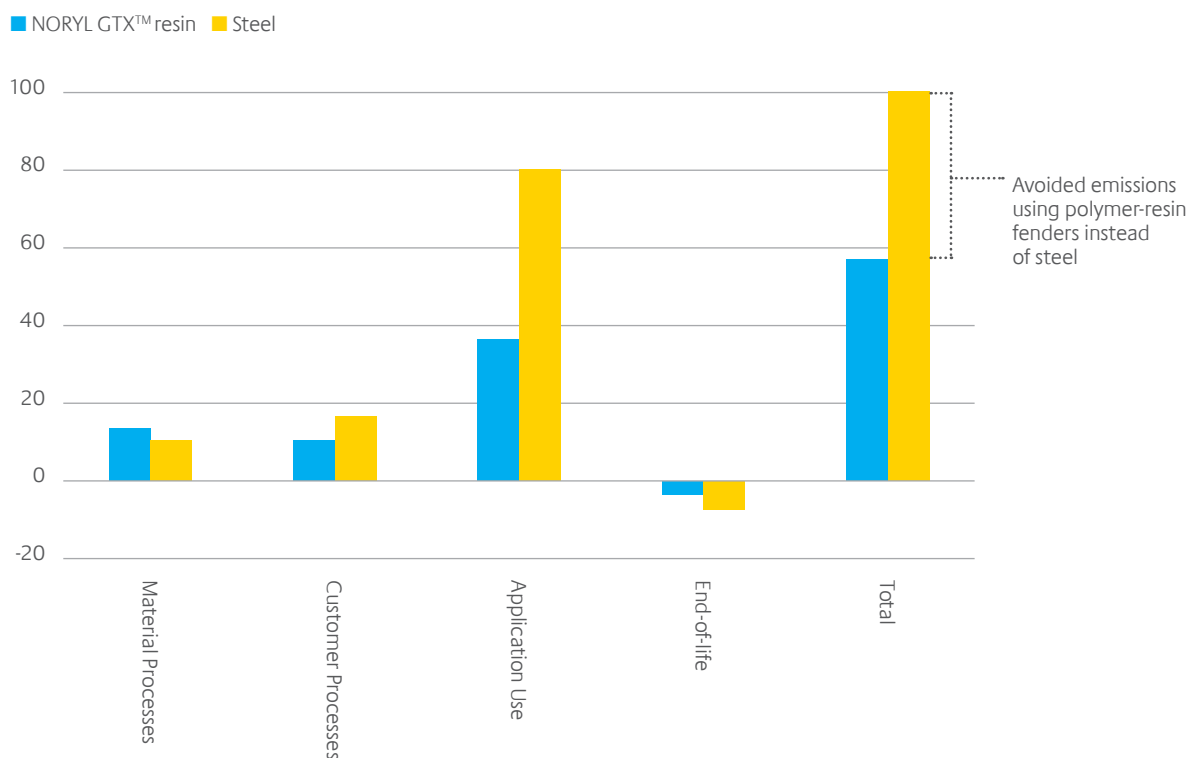
Understanding and reducing impacts outside our fence line can have excellent benefits. For example, SABIC has been working to reduce emissions in our supply chain. A logistics improvement project in Geleen, the Netherlands, and lease of a new fuel-efficient chemical transport tanker through our ISTC business are highlighted in the Social and Relationships Capital section of the report.

The Innovative Plastics business has taken action in 2013 to collaborate on container shipping schedules in Japan and to use the EPA SmartWay® program in the USA to reduce transportation energy use and emissions. All of these actions have resulted in both environmental

emissions reductions and cost savings, showing that sustainability makes great business sense. SABIC is actively involved in external working groups to develop sustainability guidelines and standards for key industry sectors. For example, as a part of the WBCSD working group “Reaching Full Potential,” we were actively involved in developing chemical-industry guidelines. The WBCSD has recently published two chemical-sector documents – Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain, and Addressing the Avoided Emissions Challenge. The organization expects to publish chemical-sector-specific LCA guidelines in 2014. SABIC case studies and examples have been incorporated in the Avoided Emissions and LCA publications. Further, we have incorporated the guidelines into our own sustainability practice.

At SABIC, we have integrated sustainability criteria into multiple business processes and developed business-unit sustainability metrics and goals. LCA methods are used to estimate environmental impacts of our sustainability product solutions, and the sustainability assessment used to manage our innovation portfolio is founded on life-cycle concepts. Our mega-project capital-investment management system, which includes steps such as technology selection and new plant design, incorporates sustainability criteria at each project gate. Making decisions at each project stage with awareness of sustainability impacts will reduce business risks, provide economic benefit, and enable SABIC to develop a pipeline of more sustainable products and processes. Through awareness, training, and integration across these business processes, we encourage life-cycle thinking across SABIC.

FIG 1. GLOBAL WARMING POTENTIAL GWP – NORYL GTX™ resin vs. STEEL FENDERS (kg CO<sub>2</sub> eq./functional unit (%))





# LOOKING FORWARD

“  
INNOVATION WILL BE CRITICAL FOR IDENTIFYING MORE SUSTAINABILITY ACTIONS AND MEETING ALL OUR GOALS.  
”

The four SABIC operational footprint goals – GHG, water, energy, and material loss – are expected to continue to define our most important operational impacts to natural capital as our business grows and changes. We have set ambitious targets to improve performance in these areas and have made significant progress since our base year. However, we are slightly behind the pace required for straight-line reduction from 2010 to 2025.

In order to stay on our desired reduction path, we will accelerate the pace of improvement actions for all four metrics. Identifying efficient technology; designing, updating, and constructing plants for top quartile performance; and minimizing daily impact through plant reliability, operational practices, and proper maintenance are all needed for optimum performance. Our response to upcoming energy-efficiency requirements in Saudi Arabia will accelerate progress for energy and the related GHG emissions. We will put additional focus on operational reliability and flare-reduction projects to reduce material loss and GHG emissions. Most water reductions to date have been from operational adjustments, but we will develop more significant projects and update our water-stress evaluation to ensure our efforts are concentrated in the most important locations. Executing on CO<sub>2</sub> utilization projects and increasing our focus on by-product synergy will enable accelerated action on Material Losses. This is an especially relevant concept in the Jubail and Yanbu complexes, which contain several SABIC affiliates that are co-located with multiple other industries.

Innovation will be critical for identifying more sustainability actions and meeting all our goals. Meeting the challenging Material Loss target will require significant process and technology changes. Large by-product synergy projects such as using CO<sub>2</sub> as a feedstock are being encouraged and supported. Embedding life-cycle concepts into business processes and increasing LCA expertise will accelerate actions to meet business targets, and will identify areas where we can collaborate with customers to reduce total impacts through modified design. Estimating and improving avoided emissions is expected to result in reduced GHG footprint across our product value chain. Understanding our Scope 3 emissions and expanding our focus on supply-chain efforts will reduce value-chain impacts and cost. Furthermore, we will continue to develop our EHSS metrics, including in the area of environmental emissions, so that in future we can track our performance with respect to additional environmental-release characteristics which are of interest to our stakeholders. These include, for example, emissions of NO<sub>x</sub>, SO<sub>x</sub>, and VOC.

Our actions to collect operational footprint data quarterly, double LCA capacity, and integrate sustainability assessments into many business processes are current steps to attain our sustainability ambitions. Future progress depends on our employees adopting life-cycle thinking to make decisions that allow SABIC to grow its business, while protecting the precious natural capital upon which we depend.

05

# DEVELOPING HUMAN CAPITAL



## HUMAN CAPITAL

In 2013 100% of our global sites implemented our SAFER program (SABIC Assurance For EHSS Risks), providing a unified and systematic approach to identifying, recording, assessing, and mitigating EHSS risks across our international operations.



100%

GLOBAL  
SITES THAT  
IMPLEMENTED  
OUR "SAFER"  
PROGRAM  
IN 2013.



# OUR APPROACH

Being a chemicals and materials-based business, ensuring we operate safely, reliably, and profitably requires tremendous knowledge, skills, and experience. To ensure we succeed in this, we depend on the expertise of all our people, in all roles and at all levels. As a result, we are able to consistently deliver value to our stakeholders.

Our industry is also challenged to innovate in everything we do in order to meet the current and future issues that society faces. This means our workforce must remain highly enthused and inspired every single day, and we have discovered that our business commitment to sustainability is a powerful motivator. At SABIC, our overall objective for human-capital development is to establish a working environment that is rooted in trust, safety, and personal growth. To achieve this, we have to create the right environment and business values. Our Code of Ethics is the foundation to create a highly principled workplace where everyone is confident in contributing all they can.

Building on this, our collective SABIC values – inspire, engage, create, and deliver – guide us toward the behaviors we believe will make our business successful. Examples can be found in the “About SABIC” section of this report.

Human-capital development and EHSS performance are highly interdependent priorities identified in our materiality assessment. In this chapter we describe the processes needed to build the knowledge, skills, experiences, and motivations of our people; and the disciplined practices and continuous improvement needed to ensure the safety of the people we rely upon.



**FAHAD AL-SHEAIBI**  
EVP HUMAN RESOURCES

“When I think of the world’s sustainability, I think of one thing: the capability of people to make the many changes that are so vitally needed. The actions and behaviors of humankind will determine the impact society has on our planet and the legacy we will leave for the future. The same applies in SABIC. SABIC’s human resources are responsible for making decisions today that impact the innovations, products, and practices of SABIC in the future. We are focused on four strategic HR pillars to ensure we have the right human capital to enable SABIC’s strategy and ambitions for 2025 and beyond: a workplace culture that drives our differentiation from competition, functional excellence, strategic workforce planning, and developing world-class HR capabilities. We describe many processes supporting these pillars in this report. I’m proud of the strides that have been made, but am eager to accelerate our people strategy and elevate SABIC to the next level of performance.”



# OUR PERFORMANCE

## HIGHLIGHTS

### HUMAN RESOURCE DEVELOPMENT

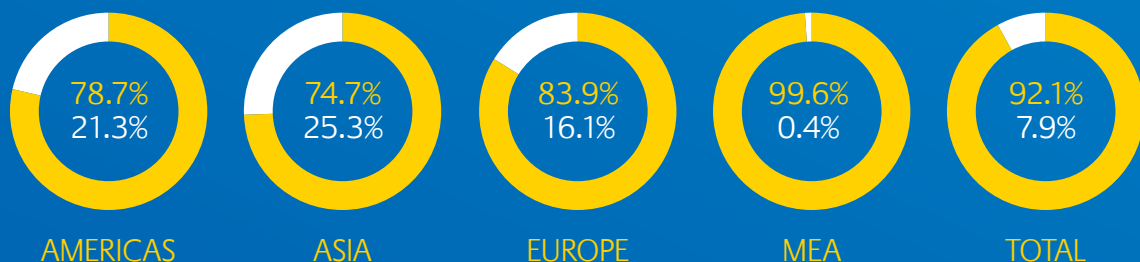
- Meaningful improvements in global gender diversity led by our first female hires in Riyadh
- Employee-survey participation up by 13%, indicative of employee confidence that their voice is being heard
- New performance goals established around learning and development effectiveness

### EHSS

- Increased expectation and collaboration with our contractor partners yields improved performance
- EHSS Audit and Recognition program expanded
- Middle East and Americas operations fully Responsible Care® certified

## KEY FACTS

PERCENTAGE OF WORKFORCE BY GENDER ■ Men ■ Women



↓ 4.2%  
SHER RATE\*

↓ 19.8%  
RECORDABLE  
INCIDENT RATE\*

0  
FATALITIES\*\*

↓ 50%  
PROCESS  
SAFETY INCIDENTS

\*Assured by KPMG

\*\*Reduced to 0 the number of fatalities for ongoing operations

# PEOPLE DEVELOPMENT

We believe that SABIC's rapid growth and ambition means our approach to human capital must have the agility to deliver on today's business objectives while anticipating future needs. Developing a foundation of repeatable and effective HR processes enables operational excellence and increases our capacity and capability for ongoing HR innovations.

Alongside our successes we recognize a number of challenges that will continue to confront our efforts and we are focused on actions to address them. Our Global HR Information System Implementation has not progressed at the pace needed to support process improvements and create new capabilities for advanced HR tools and analytics. Transforming our organizational culture continues to be a top priority for SABIC. We believe that, like its technology, the pace of change in the world will only continue to accelerate and this means our leadership and our organizations must have the capability to be faster in adopting and adapting to changes globally. In addition, the availability of technical and leadership talent continues to be a global issue to which SABIC is not immune.

We have made good progress in our human-capital programs in 2013, highlighting six HR processes in this section. Our work in HR is central to our overall business strategy, and we are dedicated to making the step-changes needed to overcome the challenges, create breakthroughs, and achieve SABIC's full potential. Establishing recognition of SABIC as a global employer of choice is increasingly important if we are to attract and maintain the broad and deep talent pipeline we need at the locales we operate in. While we have made very good progress, such as our recognition with Top Employer Certifications in Asia and Europe, SABIC has not yet achieved the reputation we believe is needed in all of the labor markets in which we compete for talent.

## VALUE-DRIVEN PERFORMANCE

Shaping a strong performance culture in SABIC requires long-term processes to provide, reflect upon, and take action on feedback. We have implemented mechanisms designed to engage our employees and encourage them to share insights that shape our actions. The cornerstone process of the robust, performance-based culture we desire is our annual Talent Review Process (TRP).

In 2013 we completed the third annual TRP across our entire professional population globally, including individual performance feedback, individual development planning, as well as learning and development nomination and selection processes. TRP also includes organization-vitality assessments such as succession planning and organization-development priorities. We track critical process metrics such as completion rates as well as the quality of the TRP experience. Repeating this process enables us to observe trends such as improvements in the quality of manager feedback and action planning. It also highlights opportunities for improvement such as enhancing processes to support talent sharing and talent differentiation. We likewise progressed with aligning our multi-year compensation and benefits initiative across the company. Greater consistency in structures, timetables, and processes globally has already enabled us to develop more robust tools and processes for HR analytics, and provides an essential base for strategic workforce planning.





“WE BELIEVE WE WILL CULTIVATE AND GROW THE TECHNICAL AND LEADERSHIP EXCELLENCE SABIC NEEDS TO ACHIEVE OUR AMBITIONS.”

## EMPLOYEE SURVEY

In September 2013, SABIC conducted its second global employee survey. It is repeated every three years and is a key opportunity to encourage employees to share their views and perspectives on areas that matter most to them and to our company. As importantly, the survey provides a tool for comparing trends and progress over time, and to benchmark SABIC's performance against industry peers, high-performing organizations, and global standards. Furthermore, by highlighting excellent performance across various SABIC sites, SBUs, functions, and affiliates, the survey allows for the sharing of best practices across the company. More than 89% of SABIC's employees participated in the 2013 survey, which is a 13% improvement in the participation rate from the 2010 survey, indicating growing trust in the process. Sustainability was for the first time included as a focus area of the survey and ranked second in the aspects of the business that employees were engaged by, reflecting its emerging value in our company culture.

Over 70% of the respondents felt positive about the statement that “SABIC is taking action to protect the environment.” This result was 16 points above the global norm according to the survey benchmark. Further, over 60% of the participating employees agreed with the statement that they are proud of their company engaging in corporate citizenship and stewardship, both 11 points above the industry norm and global norm. It was exciting to see that so many SABIC employees assigned such importance to sustainability as a strategic emphasis for the company. Action plans will now be drawn up in reaction to the survey results, with focus groups making activity proposals to SABIC leadership and the outcomes being tracked. The action plans and outcomes will be shared across the company, ensuring openness and transparency and encouraging mutual learning and sharing of best practices.

## CAREER DEVELOPMENT

Our career-development process uses global project teams comprised of employees working in the functional discipline who, together with HR, develop and apply competency models, career paths, learning tools, and other supporting programs to implement SABIC's Career Development philosophies and approach for each functional area. In addition to celebrating the third round of annual advancement reviews on our Technology & Innovation technical ladder since its global

inception in 2011, a key highlight in 2013 was the launch of the SABIC Engineering early Development Program (SEeD), a rotational based, early-career program designed for new university graduates. The global launch of the SEeD program was an accomplishment of particular significance because it ensures SABIC's access to a lasting, world-class engineering talent pipeline in all regions of the world. Intense collaboration across the manufacturing career-line resulted in a competitive program with shared global vision and expectations.

This is present at all stages of the process, starting from SEeD candidate recruitment to rotational assignment criteria, assignment leader qualifications, rotation performance evaluation processes, professional enrichment experiences, and a robust professional development curriculum, which includes coaching and other resources. Through sustained seeding of our engineering talent pipeline, we believe we will cultivate and grow the technical and leadership excellence SABIC needs to achieve our ambitions.

## WORKFORCE AND LEADERSHIP DEVELOPMENT

SABIC's investments in human development continue to focus on building a global workforce and leadership pipeline with the competencies and capabilities needed to succeed now and in the future. The year 2013 marked continuous improvement in our human-development programs with many notable highlights. These included the first graduating class of our Executive MBA program, through collaboration with the Thunderbird School of Management. We also launched our inaugural CEO Leadership Challenge Program, which brings together high-potential SABIC leaders from around the globe, and immerses them in a learning process to develop solutions for SABIC business objectives while engaging with internal and external thought leaders. SABIC also developed a robust learning curriculum to support the launch of SABIC's Early Engineer Development Program (SEeD), which is designed to develop both technical and leadership competence.

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## CASE STUDY

# INVESTING IN EXCELLENCE

## SABIC'S BASIC OPERATOR TRAINING PROGRAM (BOTP)

BOTP is a structured program for high-potential high school graduates in Saudi Arabia. The goal is to ensure a continuous supply of skilled operators who will successfully meet the increasing operations demand at SABIC's manufacturing sites. An equal objective is to contribute toward building skills and capabilities that empower the graduates to achieve, maintain, and develop challenging and rewarding employment. The BOTP program recruits high-school graduates across Saudi Arabia who are completing high-school science degrees and accepts them into a three-stage training program of language development (34 weeks), process and plant technology (20 weeks), and hands-on field training (24 weeks). We are averaging over 350 graduates from BOTP training per year.



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## CASE STUDY

# SABIC SCHOLARSHIP PROGRAM

The SABIC Scholarship Program is a microcosm of SABIC's human-resource approach. Since 2005 SABIC has sponsored this program with the purpose of creating a sustainable talent pipeline possessing the capability needed to power our business ambitions. The program is managed by a team of 28 SABIC employees located around the world who are dedicated to insuring the success of these students. The result is a program that inspires young talent to challenge themselves to reach their full potential and to make meaningful contributions to society through their intellect, ideas, and capabilities. It's about encouraging, supporting, and rewarding the highest performance, both in academics and endeavors outside of the classroom. As part of a highly selective process, SABIC sponsors between 300-400 students each year with the opportunity to pursue an international learning experience. Our commitment to these talents doesn't stop with selection. We make significant investments both in internal resources and external partnerships

specifically designed to support SABIC scholarship students in developing their full potential. From engaging their academic curricula, to facilitating internship and work experience programs at various SABIC locations, our focus is on developing the competencies they will need to succeed in our global business.

“  
IT'S ABOUT ENCOURAGING,  
SUPPORTING, AND REWARDING  
THE HIGHEST PERFORMANCE.  
”



## SABIC SCHOLARSHIP PROGRAM TESTIMONIAL

HISHAM'S  
STORY

I became acquainted with the scholarship program in my senior year of high school in Riyadh. I applied to the program recognizing that the selection process was very tough and highly competitive. In my case, of 10,000 applicants only around 100 students were selected. Once selected, I was given many options for study in the Kingdom and abroad. Because I had learned English at a very early age, and my family and I had spent quite a bit of time in the US, I chose to apply to the University of Maryland. The experience was tremendous – academically and culturally.

Higher education is only one part of the overall program. What set the scholarship program apart to me, is that SABIC had a structured plan to support my ambition from start to finish. Before starting my individual university curriculum, SABIC provided intensive instruction in both the academic and cultural environment, which gave me a foundation in what to expect as a freshman. That level of support continued with ongoing academic advice and outreach while I pursued my degree. Then, prior to my graduation, at a SABIC re-entry workshop, I was chosen to intern in SABIC's Selkirk, NY facility. During my internship I worked with my assignment leader on a new way of testing equipment using ultrasound. It was a great accomplishment to have the ability to work on exciting new technology and develop "hands-on" training in my chosen career immediately after graduation.

“

THE PAST SEVERAL YEARS HAVE BEEN REMARKABLE FOR ME. LIKE MANY OTHERS IN SAUDI ARABIA, I AM GRATEFUL TO THE SABIC SCHOLARSHIP PROGRAM FOR PROVIDING THE OPPORTUNITY TO BUILD A REWARDING AND SUCCESSFUL LIFE.

”

My first full-time SABIC position – my current position – is in the newly opened application development facility in Riyadh (SPADC). Working in SPADC has given me the opportunity to engage in important tasks as part of the facility start-up. These tasks have been quite challenging and rewarding. I have been able to meet these challenges through teamwork, the support of my department, and being empowered by my management. I have also tried to apply what I learned from studying and working abroad. It was interesting for me to see the similarities and differences between two countries and cultures.

As a person who has had the experience of studying and working in an entirely different environment, I feel I've been given a chance to explore new ideas, helping me become a more open-minded person, and I hope to have additional national and international experiences in the future.

I've already realized the importance of collaboration and experiences in my daily work. SABIC has encouraged me to implement ideas within my first month on the job. I believe this kind of training benefits me, SABIC, and the Kingdom for the long term. Having open communication channels and building relationships of trust between employees in different countries is fundamental to SABIC's success. With great global collaboration, SABIC will be able to achieve its future goals.

The past several years have been remarkable for me. Like many others in Saudi Arabia, I am grateful to the SABIC Scholarship program for providing the opportunity to build a rewarding and successful life.



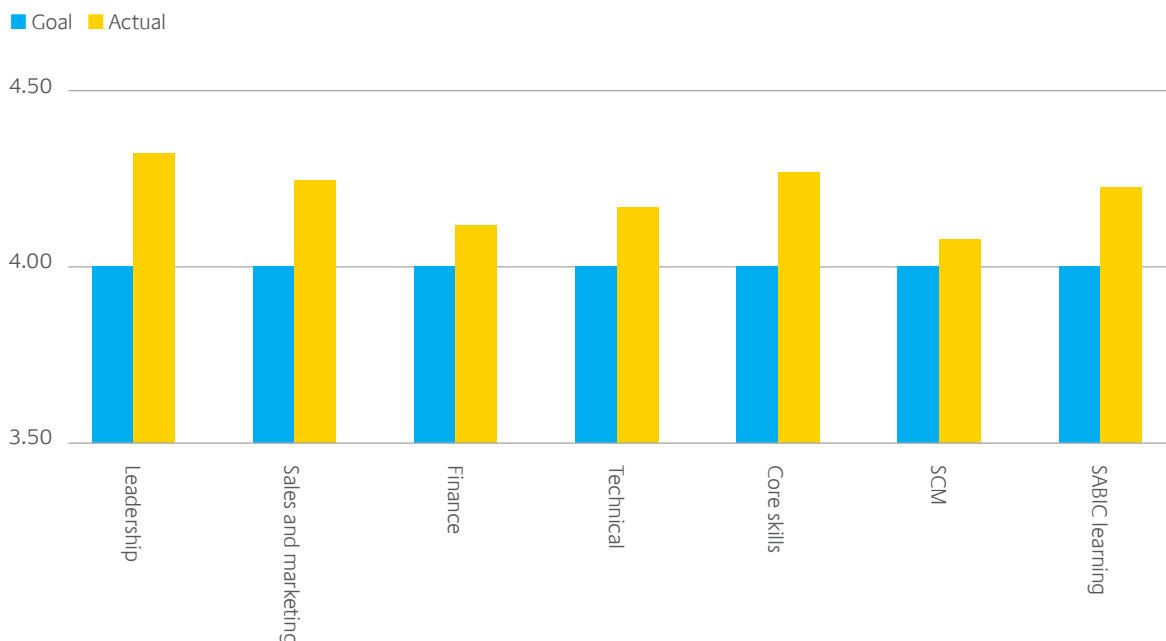
# OUR LEARNING AND DEVELOPMENT PERFORMANCE

Achieving our ambitions requires that our Learning and Development (L&D) investments are delivering the desired objectives. During 2013, SABIC's L&D Organization made significant progress in implementing a goals-based measurement process across a sample population of course curricula. Using the internationally recognized Evaluation Model as the measurement system, the sample population accounted for more than 425 learning courses attended by more than 7,500 SABIC learners, or approximately 20% of SABIC's workforce.

Our initial targets and measures focused on the foundation of an Evaluation Model: Level 1 (Learner Reaction and Satisfaction) and Level 2 (Learning Gain). Our long-range L&D roadmap includes continued measurement and inclusion of these two levels, as well as the inclusion of advanced Kirkpatrick-level metrics.

We are extremely proud of our 2013 performance in which we exceeded our goal metrics for Learner Reaction and Satisfaction, as well as Learning Gain. This is a promising start and inspires us to persevere for ongoing excellence.

FIG 1. LEARNER SATISFACTION



## DIVERSITY AND INCLUSION

SABIC's global workforce is our most vital resource in the creation of competitive advantage. Our goal is that leaders and colleagues foster an inclusive environment, allowing every employee to contribute to their maximum potential. This enables SABIC to benefit from the diversity of thoughts and experiences and bring the best solutions to market, while contributing to the durability of our talent pipeline. The rich, global diversity of our employee backgrounds, experiences, and interests is viewed as an attractive factor to candidates seeking a motivating and meaningful career.

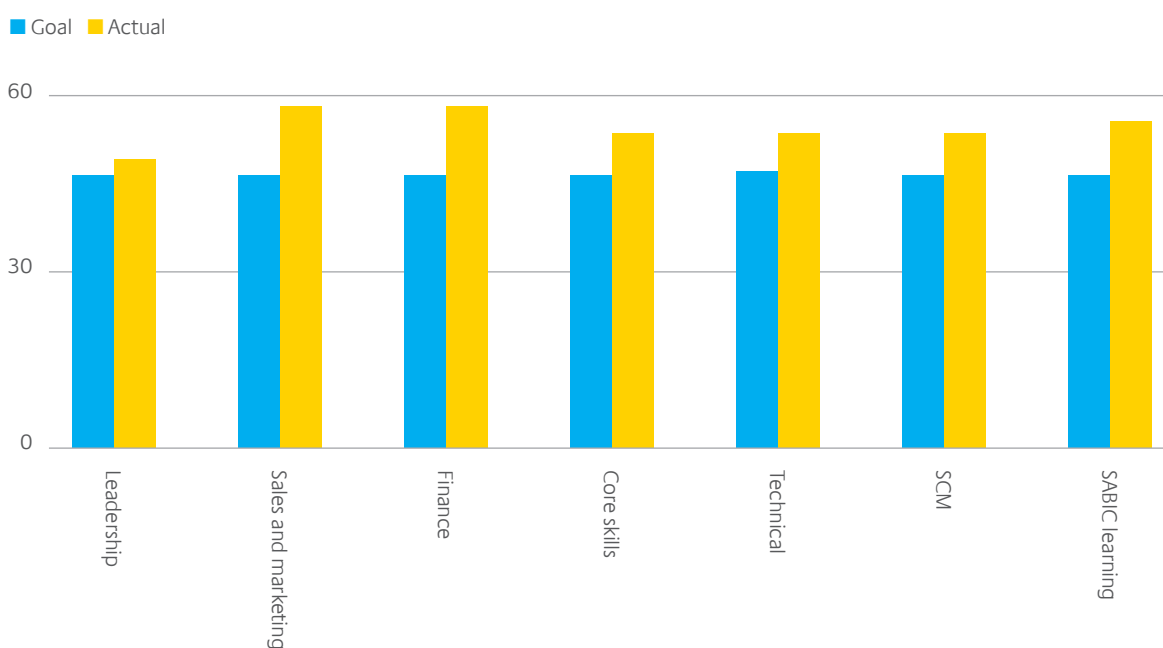
While the concept sounds simple, as a global company we face the challenges of our complex world: different cultures, expectations, time zones, and mindsets. We recognize the strides we have made in better bridging these differences during 2013, as indicated in our employee-survey results which showed an improvement since 2010. It is our ambition to deliver continued excellence because inclusiveness is not only central to our values and brand promise, but also crucial for our long-term business ambitions.

During 2013 we continued to expand our resources and tools to develop global cross-cultural competence, including sponsoring company-wide access to a web-based, expert-verified, Internet portal containing information and online learning modules, and delivering classroom courses to support global and virtual teaming. Both of these enhance employee understanding in how to bridge cultures. We also piloted an innovative coaching program with managers based in our Asia region. We believe coaching is a key enabler of the culture and performance improvements

SABIC needs, and that leaders must have the ability to connect and empower employees to achieve their full potential. Our coaching workshop helps enhance our leaders' skills in coaching employees with diverse backgrounds and experiences.

In 2013 we began to expand our Saudi Arabia employment to include women. We started this journey at our Riyadh headquarters and have progressed thoughtfully with a goal of designing workplace solutions that honor and respect the local culture, comply with all applicable laws, and position SABIC and all employees for long-term success. In early 2014, our Jubail location will welcome its first women employees. With this step forward, gender diversity continues to remain an area of focus for SABIC globally as we believe we can and must do better than our current position. The SABIC Women's Network (SWN) continues to be a key partner by facilitating and supporting the professional development of women at SABIC. In 2013 the SWN delivered several key accomplishments, including: launching a global internal web portal to facilitate best-practice sharing across hubs and regions; implementing a peer mentoring and coaching program; sponsoring round tables connecting women with senior leaders; and engaging externally through community-service leadership and meaningful collaboration with other professional women's networks. Further, in 2013 a strategic planning session for the SWN steering committee was hosted at the SABIC® Academy in Riyadh. In addition to broadening and deepening the global professional experiences of these senior women, it created a pathway to connect role-model women leaders with our newly hired women in Riyadh.

FIG 2. LEARNING GAIN



# ESTABLISHING A CULTURE OF SAFETY

Owing to its inherent engineering complexity, high-energy processes, and reactive chemical hazards, our industry can pose significant occupational health and safety risks for employees, communities, and stakeholders in our value chain unless the hazards are closely and consistently managed and mitigated. Consequently SABIC's commitment to protecting human health and safety informs our every decision and action.

We believe that it is only through a combination of leadership focus, strong and effective management systems, metrics, and goals that we can achieve the performance and culture in Environment, Health, Safety & Security (EHSS) that we must deliver. Our aim is to go beyond compliance and ingrain safety in the values and behaviors of our entire global business.

FIG 1. SHER TREND FROM 2005 to 2013

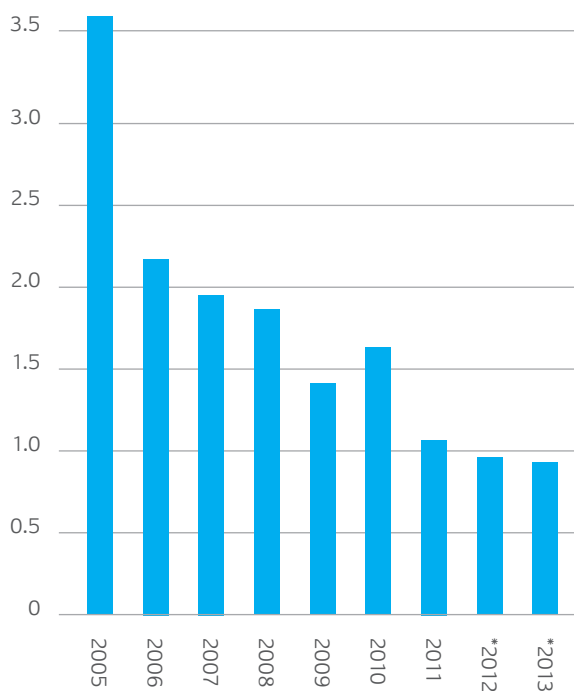
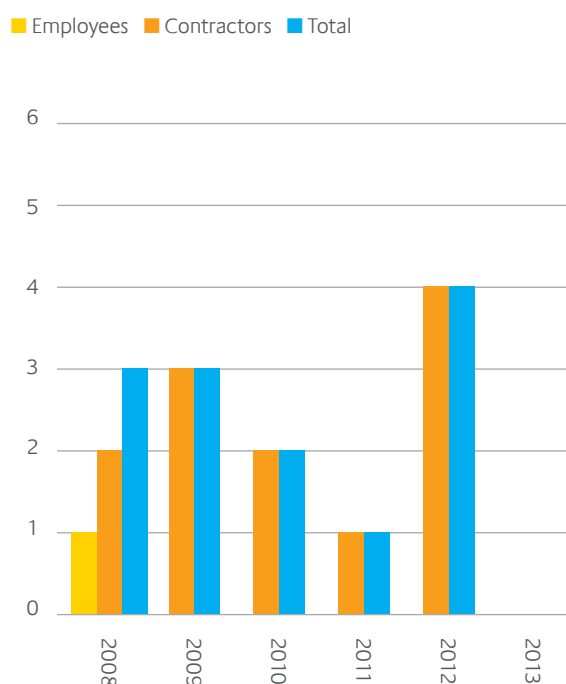


FIG 2. NUMBER OF FATALITIES



\*Assured by KPMG



## PERFORMANCE TRACKING

We measure our overall EHSS performance through an internally developed EHSS metric called the SHE-Rate or SHER, which incorporates a comprehensive range of EHSS incident types including environmental releases, process safety events, occupational health and safety injuries, illnesses, and security incidents. Incidents are weighted according to severity to calculate their contribution to the metric.

We have a strategic goal to reduce our global SHER to no more than 0.25 by 2025. Many of our sites globally already achieve a zero SHER on a consistent basis and we have seen continued, significant improvements across our global operations. Our overall SHER for 2013 was 0.92 – a 4% improvement over 2012. We have achieved an average 9% improvement year on year since 2005 and our ambition is to continue on this trajectory towards our ultimate target of incident-free operations.

“  
WE HAVE A STRATEGIC GOAL  
TO REDUCE OUR GLOBAL  
SHER TO NO MORE THAN  
0.25 BY 2025.  
”

Our overall incident rates, lost-time injury rates, and fatal incident rates all decreased in 2013 compared to 2012 for both employees and contractors. There was an increase in occupational-illness rates for contractors which requires focus, even if our performance in this area appears to compare well with our industry peers. Our aim is to continue to reduce all these incident rates to ensure SABIC delivers an increasingly safe and secure working environment.

There were no fatal incidents associated with our ongoing operations during 2013, which is a very welcome improvement on the four fatal incidents suffered by our contractors in 2012 and when compared to our overall trend in the period 2009-2012.

Sadly we did suffer a single contractor fatality associated with a housing construction project for SABIC in Jubail, Saudi Arabia, when a contractor employee was involved in a road traffic accident with a construction vehicle. SABIC treats such incidents with the utmost gravity to ensure any sources of fatal incidents are eliminated. This accident occurred outside the reporting scope used to track our operational performance and is not reflected in the 2013 results in Figure 2.

FIG 3. LTIR LOST TIME INJURY RATE PER 1,000,000 HRS

■ Employees ■ Contractors ■ Total

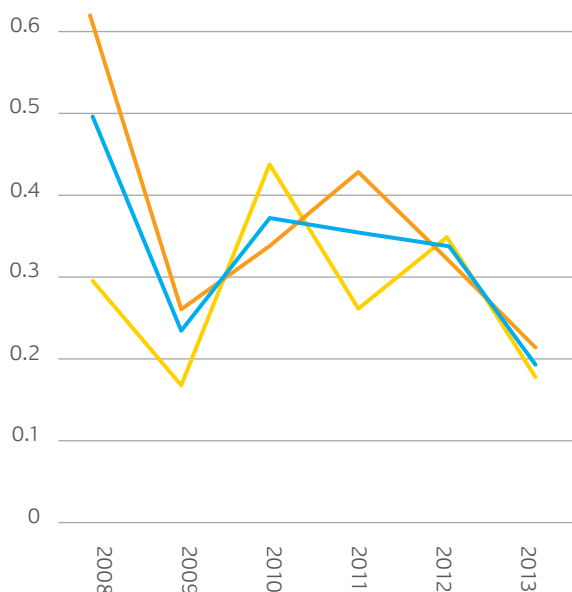
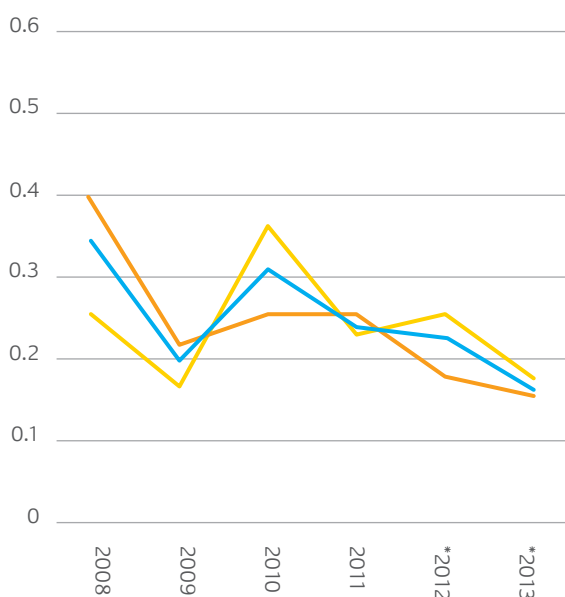


FIG 4. TRIR RECORDABLE INCIDENT RATE (INJURIES & ILLNESSES) PER 200,000 HRS

■ Employees ■ Contractors ■ Total



\* Assured by KPMG

## CONTRACTOR EHSS PROGRAM

To be truly successful, our EHSS standards, systems, and programs must reach out to and guide our employees, contractors, suppliers, and service providers. Excellence in safety within our contractor and engineering supply chain is critical, since this is where significant levels of manpower are engaged in often complex and time-critical activity. During 2013 our contractor resources represented 10% of our 40,000-strong workforce. In order to increase their safety knowledge and understanding, our contractors are represented on all our key EHSS committees and are an integral part of our EHSS culture and behavior programs.

In response to the previous fatal-incident trend, which involved a number of contractors, we have piloted an enhanced, more comprehensive Contractor EHSS Program in our Middle East/Africa region. This program is based on an extensive root-cause analysis to identify and implement a number of new practices, including a more thorough evaluation of contractors before and after a project, greater inclusion of contractors on EHSS committees, extensive awareness workshops, and enhanced recognition of EHSS best practices by our contractors. We believe this collaboration with our contractors has been a major factor in our improved results in 2013.

## ANNUAL EHSS & RELIABILITY AWARDS

To ensure we work with all our sites and partners to manage our EHSS risks effectively, SABIC actively promotes the sharing of EHSS best practices across our global operations and sites in collaboration with our contractor partners. Through our annual EHSS and Reliability Awards Program, we recognize performance excellence of our own employees and operations, and of our contractor partners. The Awards Program, which is based on verified assessment across a range of individual EHSS metrics, is hugely valuable to SABIC and our partners for identifying and exchanging best practices for EHSS and Reliability.

### IN 2013 OUR CONTRACTOR EHSS AWARD WINNERS WERE:

- Gold – COFELY (Geleen site, Netherlands)
- Silver – INABENSA (Cartagena site, Spain)
- Bronze – HERA (Gelsenkirchen site, Germany), with the Turnaround Contractor Award being presented to Al-Suwaidi (Saudi Arabia)

In 2013, we extended our Global EHSS Awards to include not only our larger ('Category A') chemical manufacturing sites, but also our smaller ('Category B') sites, which are typically compounding units or technical centers.

For 2013, the Award winners were:

### EHSS CATEGORY A SITE AWARDS

- Gold – Kemya (Saudi Arabia)
- Silver – Gas (Saudi Arabia)
- Bronze – Arrazi (Saudi Arabia)

### EHSS CATEGORY B SITE AWARDS

- Gold – Columbus (USA)
- Silver – Tortuigitas (Argentina)
- Bronze – Rayong (Thailand)

### OUR GLOBAL RELIABILITY AWARD WINNERS

- Gold – Hadeed (Saudi Arabia)
- Silver – Al-Bayroni (Saudi Arabia)
- Bronze – Sharq (Saudi Arabia)

In 2013, we also introduced a new award to recognize the link between excellence in EHSS and Reliability. The award is presented to any of our sites which achieve a top-five placing in both our EHSS and Reliability programs. Our Petrokemya site in Saudi Arabia won the award in 2013.

## IMPROVING OUR PERFORMANCE

Also in 2013, as part of our commitment to continuous improvement in EHSS, we revised or added 37 elements within our EHSS Management Standards framework (SHEMS) for specifying our requirements. Supply chain, distribution, and logistics were important areas of improvement, allowing us to ensure consistency across our regional and global service providers and partners in order to meet our commitments as a Responsible Care® company. Responsible Care® is the global chemical industry's unique initiative to improve health, boost environmental performance, enhance security, and communicate with stakeholders about products and processes.

In 2013 we suffered a serious incident in Europe when a container truck delivering raw material to one of our production facilities fell onto its side, trapping the driver who then had to undergo a partial amputation of his leg. Such incidents make clear that excellent EHSS performance in our supply chain can only be achieved through strong partnership with all our providers to manage and minimize EHSS risks. The incident quickly led to substantial changes in unloading checks and procedures.

On a more positive note, the supply-chain team of the Polymers business in China initiated EHSS due-diligence audits of warehouses with the goal of auditing both the legal and EHSS compliance of these operations in order to raise standards. As emphasized by the EHSS Manager of a SABIC service provider in the country:

**"SABIC is one of our clients who is implementing the most comprehensive and highest-standard EHSS audit, which helps us to further improve our warehouse management standards."**

A substantial part of the development of our EHSS Management System in 2013 was carried out in support of our commitment to Responsible Care®. We maintained our existing RC14001 certifications for operations in the Middle East/Africa region and completed certification for our operations in the Americas, with our operations in Europe expected to receive certification in 2014.

Audit of our EHSS Management Systems is of vital importance if we are to fully characterize and measure the effectiveness of our systems and their implementation. In 2013 we recorded a 30% improvement in combined documentation and implementation compliance with our SHEMS, even while these standards were undergoing substantial development.

This improvement was supported by the rollout of a global SHEMS e-learning program with over 10,000 staff completing their training by the end of 2013.

## MANAGING EHSS RISKS

Introduced in 2012, our SAFER program (SABIC Assurance for EHSS Risks) provides a systematic approach to identify, assess, record, and mitigate EHSS risks across our operations to support continuous improvement in SHER. In 2012 we reported that SAFER had been introduced in over 80% of our major operating sites. By the end of 2013, 100% of these sites had implemented the program, along with 100% of our smaller compounding and specialty-sheet sites. Risk-based tools such as SAFER, supported by strong, visible, and monitored training, give a clear message across our business that effective stewardship of EHSS risks is at the heart of what we do to protect our employees, partners, communities, and business.

## DELIVERING ON OUR EHSS PROMISE

Last year, we were awarded a number of international and national awards for EHSS performance. Examples of these across the range of EHSS include:

- Association of International Chemical Manufacturers (AICM) Responsible Care Merit Award;
- Cartagena site awarded the Honored Safety Award from FEIQUE, the Spanish National Chemical Association, for their 2012 safety performance;
- Rayong site in Thailand awarded 8th National Best Safety Management Award and 6th Zero Accident Award by the Thai Ministry of Labor in recognition of the company's efforts in maintaining world-class EHSS standards in its operations;
- Mount Vernon site in the US received the National Pollution Prevention Round Table's Most Valuable Pollution Prevention Award.

SABIC is understandably proud of its EHSS performance-improvement journey. However, it is clear to everyone involved that we have much more to do to achieve our ambition for excellence in EHSS. For example, we recently introduced the process-safety metrics shown below. These data show that while our total incident rate has reduced over the three years it has been monitored, the severity rate, which is a man-hour rate that is weighted for severity of the incidents recorded, has yet to improve. In addition to traditional EHSS lagging indicators, we are using a wider set of leading indicators such as training completion and audit results, to inform and direct our efforts in this important area. At the same time, while EHSS Management Systems, EHSS metrics, and compliance are key tools in our approach, the next level of performance improvement will come from these areas: SABIC management at all levels leading by example; comprehensive risk awareness and management; fundamental EHSS behaviors across our business; and an unrelenting focus on continuous improvement.

### PROCESS SAFETY INCIDENTS

	2011	2012	2013
Process Safety Incident Severity Rate (PSISR)	0.14	0.14	0.14
Process Safety Total Incident Rate (PSTIR)	0.03	0.04	0.02
Security Incident Rate (SIR)	0	0.009	0.002

“  
WE BELIEVE THIS  
COLLABORATION WITH OUR  
CONTRACTORS HAS BEEN  
A MAJOR FACTOR IN OUR  
IMPROVED RESULTS IN 2013.  
”

## EMPLOYEE TESTIMONIAL

# A WORKPLACE OF SAFETY



**ALI AL-GARNI**  
VICE PRESIDENT GLOBAL EHSS  
JUBAIL, SAUDI ARABIA

I am proud to lead SABIC's global Environmental Health Safety and Security (EHSS) organization, supporting our drive for EHSS excellence by defining standards and policies, monitoring and analyzing performance, recognizing leadership in EHSS, developing tools and systems, and providing guidance to all sites. I am very fortunate to lead a committed team of experts, focused on driving continuous EHSS performance improvement as we pursue our sustainability commitments and 2025 business strategy. We strive for a culture of continuous EHSS improvement, using EHSS audits to verify compliance and identify best practices. Continuous development and implementation of robust and EHSS expectations, procedures, and standards, along with effective EHSS training of employees and contractors, enables us to firmly and consistently embed our EHSS performance. We also utilize our own EHSS risk management system (SAFER) to provide personnel across SABIC with an effective tool for risk identification, assessment, and stewardship.

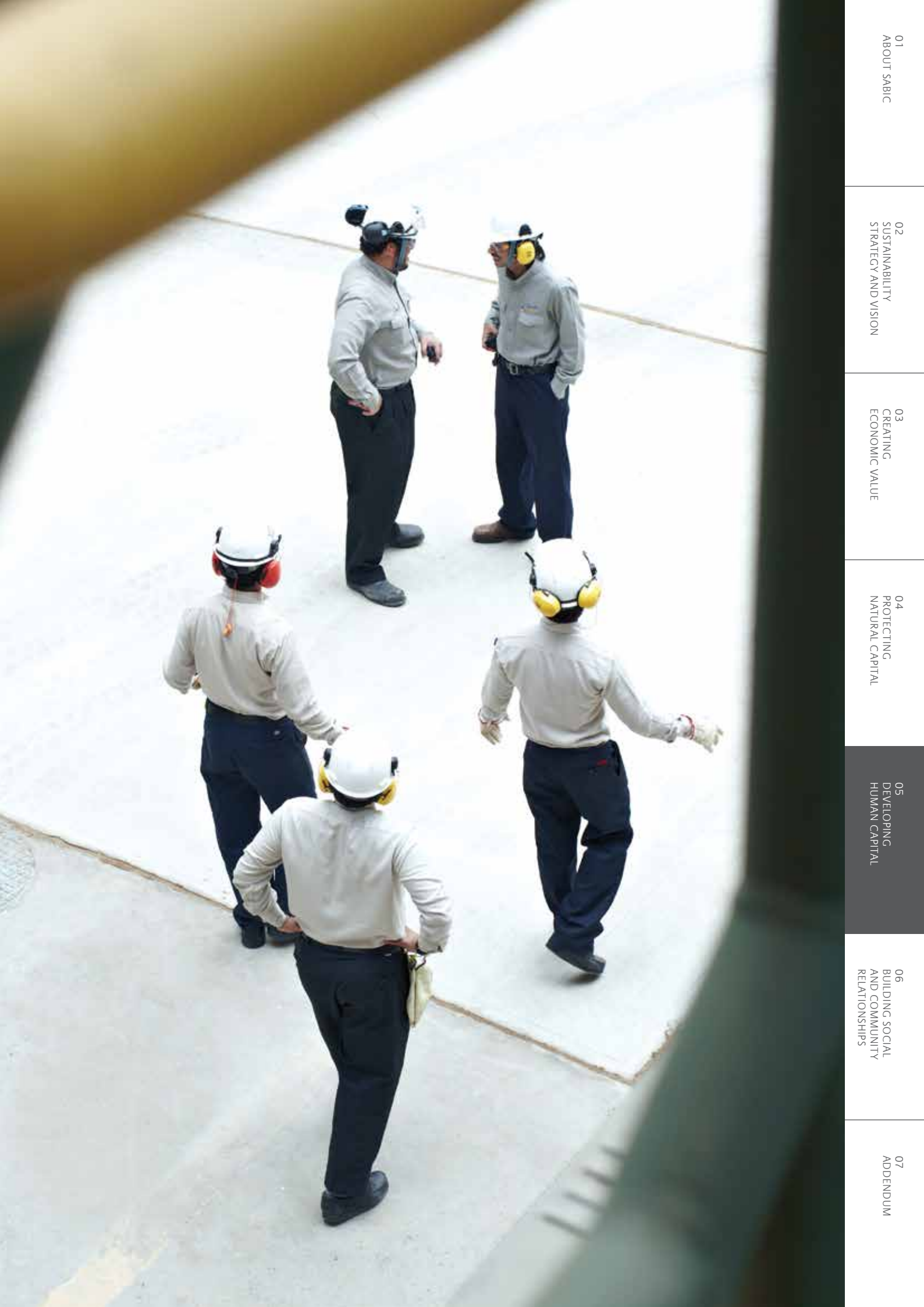
SABIC has realized some key improvements during 2013. Importantly, there were no fatal injuries to SABIC employees or contractors in our operating assets during 2013, owing much to implementation of our enhanced contractor-management program. We achieved a 30% improvement in audited compliance with our EHSS standards and received Responsible Care® (RC14001) certification for our Middle East/Africa and Americas regions. The launch in 2013 of a global e-learning capability to promote EHSS competence will be enhanced in 2014 with the introduction of the first phase of a new EHSS tool – our 'eSHEMS' system. This will provide a global, web-based system to report,

“  
**WITH THE RIGHT  
VALUES, THE DESIRED  
BEHAVIORS AND  
RESULTS WILL FOLLOW.**  
”

record, and analyze EHSS incidents. Phases beyond 2014 will cover a range of other critical EHSS data and reporting. Recognition is vital to promote a high-performance, high-reliability EHSS culture. Our annual EHSS Award process identifies and shares best practices, while recognizing those parts of our organization that have embraced their EHSS responsibilities to the highest levels. The award-assessment criteria include a suite of leading and lagging KPIs, with the awards scope expanded in 2013 to better acknowledge our contractors and smaller operating sites. The awards are presented by SABIC's CEO, emphasizing the importance we place on excellent EHSS performance.

With the right values, the desired behaviors and results will follow. I believe that three elements will ensure this: a vision for EHSS performance resulting in robust processes; a dedication to continuous improvement; and leadership by example. My team and I, with SABIC's leadership, are dedicated to these outcomes for our employees, our sites, and our communities.





## EMPLOYEE TESTIMONIAL

# NURTURING A NEW GENERATION



**MIASSER M AL-GHAMDI**  
COMPUTATIONAL RESEARCH CHEMIST  
SABIC CORPORATE RESEARCH AND INNOVATION  
CENTER (CRI), KAUST, SAUDI ARABIA

My SABIC journey began in 2011, after earning a master's degree in high-performance computing from KAUST. Since that time, I have benefited greatly from SABIC's commitment to human resources.

My first role was as a systems analyst in the Computational and Modeling Department of the supercomputing research group, at the SABIC Corporate Research and Innovation Center (CRI) at KAUST. As part of my role I regularly interacted with top scientists and other highly skilled individuals. It was here I gained my interest in computational chemistry and its important role in chemical processes. The combination of my interest, my performance, and our business strategy led to SABIC sponsoring me to pursue a PhD in chemical science/ computational chemistry, which I expect to complete in 2015.

The focus of my PhD research is homogenous catalysis for CO<sub>2</sub> activation. I work with Professor Luigi Cavallo, a renowned expert in the field, using methods to understand and predict the roles of catalysts in asymmetric reactions. The really exciting part is that this project will help SABIC's production processes deliver on our four environmental KPIs. It will provide a modeling tool based on computational analysis of different materials and catalysts, allowing us to select those that are most efficient. SABIC's partnership with the KAUST facility definitely inspires a culture of innovation. As we work on developing sustainable solutions to key issues – such as operational efficiency, renewable technologies, water usage, clean combustion, and production of more environmentally friendly materials – SABIC employees have the opportunity to engage with top

researchers from 80 different countries, and collaborate with the top universities in the world. They also have access to the best facilities and resources available, such as the most powerful supercomputer in the Middle East, referred to as Shaheen.

As a result of SABIC's investment in me, I have taken opportunities to contribute to the company in broader ways. For example, I'm currently serving as one of the Middle East region leaders for SABIC's compliance hotline – a very important resource to ensure adherence to our Code of Ethics. I'm also an active member of the SABIC Women's Network, which has provided me with opportunities to coach and mentor our newly hired women in Riyadh, and to engage with other female scientists in the company. It's extremely rewarding to be playing a tangible part in the future of SABIC and our sustainability goals!

“  
AS A RESULT OF SABIC'S  
INVESTMENT IN ME, I HAVE  
TAKEN OPPORTUNITIES  
TO CONTRIBUTE TO THE  
COMPANY IN BROADER WAYS.  
”

# LOOKING FORWARD

It is hard to imagine that business conditions will become less demanding or that the world's critical challenges will suddenly change or ease. The businesses that will provide sustainability solutions and lasting value will no doubt be those that have developed the most capable and motivated human resources. This requires a commitment to our people and the long-term processes that support and develop them in their careers.

Activating this commitment requires us to engage with and listen carefully to our employees, using mechanisms such as our employee survey. By doing this consistently, we have concluded that our business commitment to sustainability is a powerful motivator for our people. As a result, in partnership with their colleagues in HR, our business teams are making sure we take action on the key opportunities and concerns that have been raised. We need to continue to harness the motivational power of sustainability in the future, engaging all our employees in relevant issues across the value chain.

We have also laid out key processes for performance enhancement, career development, skill and leadership development, and diversity. We need to continue to develop these processes and secure specific metrics and goals to track actual improvement as well as continue to push forward with contemporary and innovative programs that will help set SABIC apart as the world's preferred leader in chemicals.

It is not possible for our human resources to produce value without the sense of commitment and security that comes with safety in their workplace and their community. We will remain consistently focused on assessing and improving our performance against established EHSS metrics and build on the significant progress we made with the safety of our contractors in 2013. We will extend similar expectations and practices to our suppliers.

“  
WE WILL REMAIN  
CONSISTENTLY FOCUSED  
ON ASSESSING AND  
IMPROVING OUR  
PERFORMANCE  
AGAINST ESTABLISHED  
EHSS METRICS.  
”

We have a strong culture of compliance that we want to advance into a strong culture of EHSS values and behaviors, delivering operational performance “beyond compliance.” As we continuously develop our EHSS processes we are seeking more forward-looking metrics and goals to inform and enable the next stages of our EHSS performance improvement. Sustainability reporting and the influence of reporting standards such as the G4 Sustainability Reporting Guidelines provide a valuable check and challenge.

Our assessments for the future confirm our belief that human capital will continue to be a most vital resource. Therefore, both our near- and long-term business strategies must continue to intensify the focus on programs and actions that promote the safety, development and performance of our people.

06

# BUILDING SOCIAL AND COMMUNITY RELATIONSHIPS



## SOCIAL CAPITAL

The SABIC Employees Charity Fund (BIRR) is an initiative to work strategically with philanthropic partners to improve social conditions in the community.





# OUR APPROACH

The interdependency of organizations and stakeholders across the value chain is extremely important and complex. Effective relationships around common goals with customers, suppliers, competitors, governments, nongovernmental organizations, universities, and communities are necessary to solve sustainability issues and create value. These relationships form the basis for collaboration and ultimately our freedom to operate and grow as a business.

Many of SABIC's key relationships are embedded in the information throughout this report and in our strategy for stakeholder engagement. However, there are three areas of relationship that we call out in this section: our proactive engagement around the needs of communities across all the regions where we operate, our relationship with the supply chain, and our product safety actions with stakeholders across the value chain.

We are building on the community strategic support areas that we described in our 2012 Sustainability Report. However, we also want to recognize in this report the importance of our employees and their volunteer activities around the globe. We hope this provides inspiration to everyone at SABIC to make a personal impact in their communities.

Supply chain and product safety are both essential to protect the interests of our stakeholders and they are priorities identified in our materiality assessment. Therefore, we specifically wanted to highlight our supply-chain activities as a case study for developing all aspects of sustainability value creation.

“  
EFFECTIVE RELATIONSHIPS  
AROUND COMMON GOALS  
ARE NECESSARY TO SOLVE  
SUSTAINABILITY ISSUES  
AND CREATE VALUE.  
”



# OUR PERFORMANCE

## HIGHLIGHTS

### COMMUNITY ENGAGEMENT

- 30% increase in United Way contribution from SABIC and its employees
- SABIC affiliate Al-Bayroni committed US\$ 42 million to be dispersed to community projects in Saudi Arabia during 2014-2016

### SUPPLY CHAIN

- Supply Chain distribution efficiency leads to GHG emission avoidance in each region

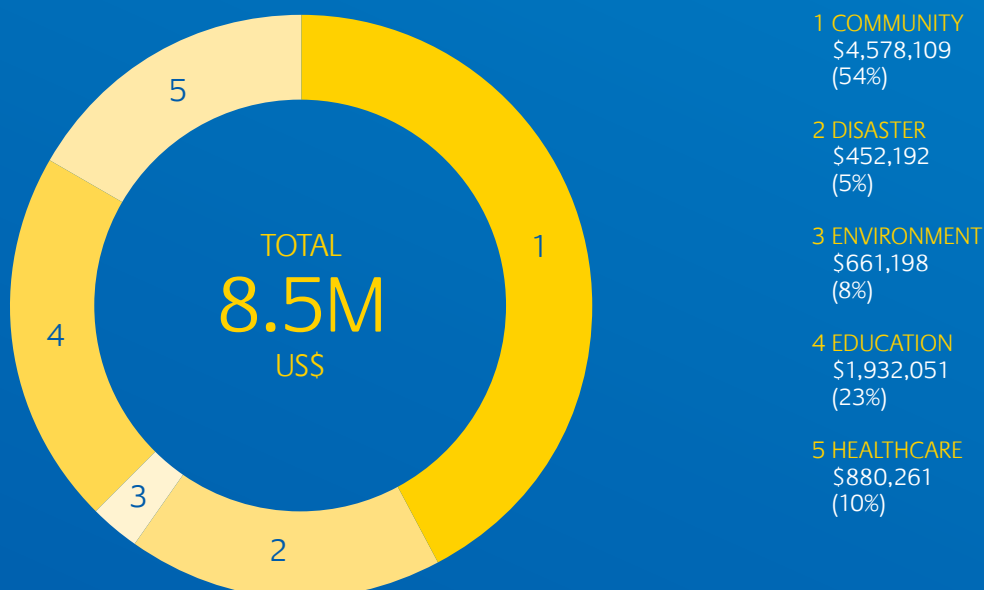
- SABIC and the Pennsylvania State University signed a strategic partnership agreement to develop SABIC's human capital across its global supply chain

### PRODUCT SAFETY

- 24,744 new or updated Safety Data Sheets in a total of 30 languages
- SABIC recognized in China for leadership contribution to food-safety standards

## KEY FACTS

TOTAL CONTRIBUTION TO SOCIAL DEVELOPMENT 2013 US\$



# IMPROVING OUR COMMUNITIES

SABIC believes it has a responsibility to encourage and support healthy and resilient communities in the regions where we operate. It is important for both the current and long-term success of communities, as well as for us as a business. The first line of support comes from our EHSS, supply-chain, and product-safety activities, which are designed to protect communities from harm. Our second line of support is through economic stimulation provided by our business activities, which contributes to the prosperity of local communities. Our third line of support is the contribution of financial and volunteer resources to address the distinctive needs of communities.

Last year we identified five areas where we can really make an impact: community development, disaster relief, education, environment, and healthcare. We have continued to support these issues and report on some of the projects we have carried out in the various regions we operate in below. We also outline a follow-up to a case study from the 2012 Sustainability Report, which involves a school in India we supported.

This year we also want to call attention to the inspiring employee volunteers who take a special leadership role in their local communities. The strong relationship bonds built by these individuals and many other SABIC employees are a true example of sustainable value creation.

With regards to our financial contributions reported on page 27, SABIC's total financial giving was down in 2013 when compared to 2012 due to several factors. SABIC placed a priority on developing a new global CSR strategy and enhanced processes in 2013 that will strengthen the company's future community engagement. In addition, there were timing factors for major committed community projects that influenced the rate of funds flow in 2013. We expect the downward trend to reverse, due to project investments and to process enhancements being made by our CSR team.

“  
OUR THIRD LINE  
OF SUPPORT IS  
THE CONTRIBUTION  
OF FINANCIAL AND  
VOLUNTEER RESOURCES  
TO ADDRESS THE  
DISTINCTIVE NEEDS  
OF COMMUNITIES.  
”





Acorn Academy, Cape Town, South Africa



Dutch national Chemistry Olympiad at SABIC

## OUR CONTRIBUTIONS TO PEOPLE AROUND THE WORLD

Sustainable communities and social development are and have been integral to our business operations. For this reason, we are very serious about our commitment to healthcare, education, community development, environmental protection, local culture, and business development wherever we operate in the world.

### PROMOTING HEALTHY COMMUNITIES

SABIC funds many healthcare initiatives throughout the world. For example, most recently, in Riyadh, Saudi Arabia, SABIC provided SR 45 million to fund the Autism Research Center, which was inaugurated at the King Faisal Specialist Hospital. In South Africa, the SABIC office teamed together to paint the inside of the Acorn Academy, which is a school specializing in the tutoring of children with autism, Asperger's syndrome, Down syndrome, ADHD, apraxia, developmental delays, and learning difficulties.

As part of its continuous support to the Jubail Association of People with Special Needs (ERADAH), SABIC has donated SR 100,000 as its annual contribution to the association's Down Syndrome Center. Management and staff conducted a number of events in support of the Elderly Care Center in Riyadh, orphaned children of the Social Education House for Boys (DAR), the Charity Committee for Orphans Care (INSAN) at an Open Day, and children with cancer at the King Fahad National Center for Children's Cancer and Research. SABIC also sponsored the National Epilepsy Awareness Campaign conducted by the Saudi Society for Epilepsy Diseases in public schools, universities, and commercial centers, designed to educate all segments of society, particularly young people, on this nerve disorder, and to increase community awareness of epilepsy. Furthermore, SABIC signed a strategic partnership agreement with the Disabled Children Association to cover education and medication for 20 children over five years, at a cost of SR 7 million. The company has a 20-year record of supporting the association and its activities, making it one of its leading corporate partners.

SABIC also donated a mobile clinic for early detection of breast cancer to the Zahra Breast Cancer Association in support of the Association's efforts to increase awareness of breast cancer and the various free health clinics set up for the early detection of the disease. In South Africa, the company provided a donation to the Tygerberg Children's Hospital for the purchase of an ABR Screener (for neonatal screening of hearing loss), advanced software for neonatal ultrasound equipment, and monitors for the premature baby ward. SABIC also provided funds to Operation Smile to help children and adults with cleft-repair surgery.

In Campanas, Brazil, we organized a cultural project that arranged music concerts to raise funds for the Bolchini Hospital, which specializes in childhood cancer. Under a special funding relationship formed with our affiliate, Al-Bayroni, beginning in 2014, SABIC will contribute funds for a variety of community services over a three-year period. The total amount for disbursement is approximately US\$ 42 million and will be given to a number of previously identified community-health and services-based organizations in Saudi Arabia.

## SUPPORTING EDUCATION

Providing educational support and opportunities for youth in our global communities is part of SABIC's legacy. For instance, in 2013, SABIC hosted the Dutch Chemistry Olympics in Sittard and Geleen in the Netherlands in June 2013. It is an annual event organized by the Dutch Curriculum Development Foundation, and involves more than 3,000 students from 170 secondary schools. The goal is to motivate youngsters to not only choose chemistry at school, but also to pursue the field after leaving high school. Several exam rounds determined the best four teenagers to represent the Netherlands in Russia at the International Chemistry Olympiad. SABIC believes it was important to host the event for a number of reasons, in particular to share our enthusiasm and expertise with future leaders in the field of chemistry. Another EU initiative is an academic scholarship in collaboration with the Limburg University Fund. The most recent recipient is Lei Geo, a student from China, who was awarded the scholarship for the academic year 2012-2013 in recognition of her strong passion for learning, her analytical mind, and her creative thinking. Encouraging personal and



Academic scholarship winner: Lei Gao, a student from China

professional development is key at SABIC and we are always looking out for new talent. We believe this scholarship is an excellent way to engage with promising internationally oriented students.

Saudi Arabia is our home base and we have a special responsibility to contribute to efforts to raise the interest of young people in science subjects like chemistry and mathematics, and to have them follow a related career path. For a third consecutive year, SABIC supported the Mathematics and Science Olympics, in collaboration with the Education Department in Yanbu, Saudi Arabia. The program targets talented young Saudi students.

Also in Saudi Arabia, in a collaboration with the Capital Market Authority's (CMA) financial-literacy program for children – the Smart Investor – SABIC sponsored an event organized by Child and Youth Finance International designed to empower the next generation of younger people to become confident, responsible, and skilled economic citizens.

In the US, more than 40 employees volunteered over 300 hours, mentoring underprivileged children ages 5-11 during the students' lunchtime at school. SABIC employees discussed the importance of staying in school and setting goals for additional education so that students can have the opportunity to excel in life. Employees also spent approximately 200 hours going into schools to help prepare students on how to be successful, focusing on personal finance, career and workforce readiness, business, economics, entrepreneurship, character-building, and civic duties. Finally, over 3,000 students saw engaging science presentations conducted by SABIC employees that aimed to encourage students to consider careers in science, technology, engineering, and math.

SABIC in South Africa also assisted 10 students from disadvantaged backgrounds with school fees and donated equipment such as a projector to the Dryden Street Primary School library.



Opening ceremony for the Center for Autism Research, Riyadh, Saudi Arabia

“  
WE UNDERSTAND HOW VALUABLE BEING A VOLUNTEER CAN BE; IT'S ABOUT MORE THAN OFFERING YOUR TIME, KNOWLEDGE, AND SKILLS TO SOMEONE.  
”

## PROVIDING DISASTER RELIEF

Over the years, SABIC has provided support and assistance to those who are coping with the impact of devastation related to many types of disasters. In 2013, we took immediate actions to assess how we could provide relief to the community following the Ya'an earthquake in Sichuan, China. Through partnership with China Charity Federation, SABIC contributed to rebuilding a home for the elderly to support those who lost their homes and families during the disaster. Our employees in Tortuguitas, Argentina responded to a large local flood by donating clothes, food, and hygiene articles to the most vulnerable members of the community who were severely affected by the disaster.



## CONTRIBUTING TO OUR COMMUNITIES

SABIC continued to provide financial and volunteer support for the various regions in which it operates. In 2013, our Bergen op Zoom, Netherlands site chose to become the main sponsor of the International Sports Federation for Persons with Intellectual Disability (INAS) European Athletics Championship, which will be held in June of 2014 at the city's athletics club, SPADO. More than 180 athletes and coaches from 20 countries will participate in the games; these include qualifiers for the 2016 Paralympics. In addition to financial support, many of SABIC's Bergen op Zoom employees were involved in event preparation to ensure a fun and inspiring event that will connect athletes from all over Europe.

In Cartagena, Spain, our SABIC team carried out repair and maintenance work in the local "Casa Cuna" orphanage. A group of 20 to 25 employees and contractors repaired and painted parts of the orphanage, including the fences, a protection barrier around the swimming pool, electrical installations, and washing machines. Additionally, the Women's Network at Cartagena contributed personal-care products for babies.

In Asia, as part of our outreach to future generations, the company organized a series of projects that looked after the well-being of needy and differently abled children. For example, in Hong Kong, the Employee Engagement Committee (EEC) organized a day of fun-filled activities aimed at helping children from low-income families undergoing speech therapy to build confidence and integrate into society. EEC in Guangzhou, China brought underprivileged children to the Science Center and inspired them with what science and technology can achieve.

In addition, across Greater China, the EEC collected items such as winter clothes and toys from employees for donation to various charity homes in Beijing and Shanghai. In Malaysia, books were collected from employees to help a local charity home enhance its community library.

SABIC provided winter supplies to the needy in the Jubail and Yanbu communities of Saudi Arabia. The program is part of a series of programs in which SABIC participates to provide humanitarian services to local communities.

The SABIC Employees Charity Fund (BIRR) is an initiative of nearly 4,000 employees in Saudi Arabia working strategically with others to improve social conditions in the community by providing services for the betterment of society. The employees engaged in various volunteer activities, providing financing for the development of rural communities, as well as giving support to refugee relief and many other humanitarian projects. In 2013, the fund disbursed approximately SR 1,690,200 to support home-renovation projects in Yanbu, furnishing the Dammam Orphans Home and providing training and support for unemployed individuals throughout the region.

In Campinas, Brazil SABIC employees donated clothes and nonperishable food to a local agency that provides help to needy families through the winter.

Our employees at Mount Vernon, Indiana, USA spent over 1,200 hours volunteering this year. This success is due to the site manager, Joe Castrale, encouraging supervisors to use volunteer activities for team-building initiatives, which benefit employees and the community. These projects involved improving local parks by planting flowers and bushes, mulching and landscaping, and assisting with building a house for an underprivileged family.

In addition, at every Innovative Plastics site in North America, SABIC matches 50% of the contributions of employees to the United Way charity, which gives employees the opportunity to fund their own community initiatives. During 2013, over US\$ 1,436,831 was donated, which is a 30% increase over 2012. United Way projects focus on early-childhood education, positive youth development, and financial stability, with significant success in all areas. Thanks in part to the donations of our employees at our Bay St. Louis, Mississippi site, Hancock County Louisiana United Way granted US\$ 800,000 to early-childhood programs such as Excel By 5 in which a new preschool classroom was able to open and prepare young children with the skills they need to enter school. Additionally, our Pittsfield, Massachusetts employees supported the Volunteer Income Tax Assistance Program through Berkshire United Way, which promoted and funded tax refunds to Berkshire County low-income working residents that totaled US\$ 832,480 in 2012 taxes – almost double the refunds from the year before.

**"SABIC supports many efforts to ensure a thriving community, and they do so without fanfare; they do it because they care, it's the right thing to do, and it's in their culture. Berkshire County faces many challenges and SABIC provides the financial and volunteer commitments to face these challenges head-on, with a focus on community improvement. We are so fortunate to have them as a key partner."**

Kristine Hazzard  
President and CEO  
Berkshire United Way







## CONTRIBUTING TO A RESILIENT ENVIRONMENT

A key focus area in the Asia Pacific region has been environmental protection. In India, a tree-planting initiative was organized to plant one tree for each of our employees, aimed at reminding them of our individual responsibility for the environment. This was carried out by more than 250 employees along with 200 students across four locations – Gurgaon/Delhi, Bengaluru, Vadodara, and Mumbai. This required significant coordination to unify participants in executing the initiative on a single day to support a common cause. We further collaborated with local organizations to ensure successful upkeep of the plants until they strengthen and mature. Employees in South Korea have also actively participated in Arbor Day, a day dedicated to plant and care for trees. For the past three years, they worked with the Korea Federation for Environmental Movement to plant tree saplings along the barren hill on the bank of the Han River in Seoul.

In Thailand, we partnered with the Prasae Municipality on its ongoing Preserve a Mangrove Forest Environment Project. Over 65 SABIC employees joined local residents to plant 250 mangrove trees and repaired a bridge that now serves as a corridor for visiting and studying the mangrove forest by tourists and researchers.

Employees in Japan were also active in efforts to clean up local parks and river banks to maintain the cleanliness of the local environment. This activity also promotes

cohesiveness among employees and encourages them to be conscious of the environment around them. In Saudi Arabia, SABIC is in the early stages of selecting contractors to build the US\$ 50 million Estidamah Agricultural Research Lab, which will be housed in Riyadh. Estidamah Agricultural Research Lab's principle goal is to promote sustainable agriculture in the Kingdom using technologically advanced research and partnering with the agricultural community to support more sustainable agricultural techniques for the long term.

In support of World Cleanliness Day, marked in many countries around the world, SABIC joined with the Gulf Petrochemical and Chemicals Association to support a major volunteer initiative entitled Clean Up the Gulf Day. Company employees and children volunteered in Riyadh and Jubail for a day of trash collection to help beautify parks and roadways, and signal the importance of keeping our natural environment free of waste.

“  
IN INDIA, A TREE-PLANTING INITIATIVE WAS ORGANIZED TO PLANT ONE TREE FOR EACH OF OUR EMPLOYEES.  
”



## CASE STUDY

# MAKING LASTING IMPROVEMENTS

## A FOLLOW-UP TO OUR REVITALIZATION PROJECT AT THE HOSAHALLI SCHOOL, INDIA

Last year, our work at the Hosahalli School in India was around infrastructural improvement such as upgrading facilities to provide them with two classrooms, an assembly hall, library, staff room and canteen, as well as updating the toilet facilities.



These improvements allow the school to accommodate 100 students, compared to the original 45. In addition, the better sanitation installed has encouraged more female students to attend the school.

The successful improvements to the campus facilities mean that focus can now be placed on increasing the well-being of the students themselves. This includes female CSR Volunteers from SABIC Technology Center, Bengaluru spending their time and budget for Women's Day celebrations, and on bringing new school uniforms and shoes to these students.

MRS. NARAYANAMMA  
HOSAHALLI SCHOOL PRINCIPAL

"Now that we have a new school campus with facilities like any modern school, we have more time to concentrate on educating the children. We used to face a lot of infrastructural challenges such as sanitary hygiene and leaking roofs in the old campus. Because of the new environment, children are now happy to come to school and, as a result, school attendance has improved. Every day we remember SABIC for providing us with our beautiful campus."

# OUR VOLUNTEER LEADERS

Employee volunteerism plays a vital role in the building of community relationships at a person, grass-roots level. Volunteerism has a multiplier effect throughout the community and builds a lasting bond between our employees and the community. It also builds our basic values as individuals, and those values carry over into all of our relationships, including the relationship between employees and SABIC.

We see volunteerism as a win for everyone involved. We are proud to highlight here some of the special individuals who have made a difference through their personal volunteerism or through the processes they have built that enable others to contribute.



## SHELIA NAAB

AMERICAS MANUFACTURING  
COMMUNICATIONS SPECIALIST -  
INNOVATIVE PLASTICS,  
MOUNT VERNON, INDIANA

Helping others has always been a passion of mine. When I began working at SABIC about five years ago I had the opportunity to further live out my passion by identifying community-service opportunities for the employees located at SABIC's manufacturing facility in Mount Vernon, Indiana. I quickly learned that SABIC employees are very passionate about their communities and will rise to the call of action to assist those less fortunate than themselves.

With so much good work being done, I wanted to find a way to keep track of the amount of volunteer hours each employee spends serving the community. I started by collecting this information manually and later turned to SABIC's IT team to develop a customized electronic system. I initially created this volunteer-tracking system for one manufacturing facility and was surprised that we were giving over 1,200 hours of our time a year to the community. Today, SABIC is using my idea and incorporating it across the entire organization.



## BAS VOOR DEN DAG

CATEGORY MANAGER –  
STORAGE & SURVEY SUPPLY CHAIN  
MANAGEMENT CHEMICALS  
SITTARD, THE NETHERLANDS

Alongside my role as Category Manager at SABIC, it's been really great to organize a cycling race called Ventoux3 – A Ride for Hope, which raises money for research on brain tumors. My sister-in-law is currently suffering from a brain tumor, so for me it has particular personal importance. And with 28 people dying of a brain tumor in the Netherlands each week, the cause is one that is close to many other people's hearts, too.

The last event, which involved cycling up Mount Ventoux in France one, two, or three times from three different sides, was held in September 2013 and raised EUR 281,000 from some 175 participants. I took part both as a cyclist and organizer, actively publicizing the event via the SABIC intranet. SABIC colleagues joined in by organizing a spinning marathon in April 2013 at a gym near the office to raise additional money. SABIC was very flexible in giving employees the time to participate in the actual race, as well as the related fund-raising efforts. I am now working on raising the profile of next year's event by trying to get Dutch celebrities such as actors and an Olympic champion to participate!



## RAMIT MAHAJAN

SENIOR BUSINESS MANAGER,  
COMMERCIAL OPERATIONS,  
INNOVATIVE PLASTICS, GURGAON,  
INDIA

I am proud to support the volunteering activities for all SABIC sites in India. This means coordinating with site leaders to develop a comprehensive and effective volunteering strategy and budget, as well as personally participating in the events. More and more employees are getting involved, initiating new projects and leading them.

In 2013 we made the commitment for all sites to participate together in one activity per quarter, ensuring they coincide with some international day of action. For example, in the second quarter of 2013 we encouraged employees to give blood as part of World Blood Donor Day on June 14. We collaborated with local organizations to bring blood-donation buses to each site and more than 50% of SABIC employees donated blood. The enthusiasm at some sites exceeded our capacity to collect more units! I really look forward to seeing our volunteering activities in India continue on this positive trajectory.



## VIVIAN BARBOSA

QUALITY SYSTEM ANALYST,  
SABIC CAMPINAS, BRAZIL

I am an active member of the SABIC Brazil Volunteer Committee. It's been running for over a decade, working to identify and inspire volunteering activities that respond to local community needs. Both employees and contractors are encouraged by the committee to participate in its activities.

The most impactful activity organized by the committee in 2013 was the Children's Day planned in cooperation with a local children's institution (SOS Aldeias Infantis). All employees at the Campinas, Brazil site were asked to make a donation of books and toys for disadvantaged children involved with the institution. I helped organize the event and collected the donations, which amounted to 106 books and 121 toys that then went into creating a book and toy library. There was also a party with foods and sweets where volunteers inspired the children's imaginations with stories and took the opportunity to mention and reinforce family values. Everyone involved had a fantastic time. Our future plans are to continue looking for institutions where SABIC can contribute. We understand how valuable being a volunteer can be; it's about more than offering your time, knowledge, and skills to someone – it's about making difference in someone else's life and community.



## WILLYN GOH

SENIOR BUSINESS PARTNER,  
COMMUNICATIONS,  
ASIA PACIFIC, SINGAPORE

The spirit of volunteerism is high in Asia – colleagues across all levels from different business units and functions are very enthusiastic about getting involved and offer plenty of ideas for greater involvement with community work.

I work with colleagues across the region, tapping their local insights to identify community needs where we operate. I collaborate with local CSR volunteers to evaluate charity partnerships, measure impact, share best practices, and review how activities can be enhanced locally.

For example, in 2013, SABIC's Women Network in Singapore brought 26 employees to a local neighborhood school in coordination with the global agency, Junior Achievement, to build awareness on life skills such as saving, earning, and entrepreneurship. In the coming year we identified this as one with potential to be developed into a more strategic project, where we can shape young minds on issues relating to sustainability, and initiate conversations on what they can do at home to conserve more and to reduce their environmental footprint.



## ABDULLAH A AL-SUFYANI

GENERAL MANAGER, AREA  
MANUFACTURING SERVICES,  
YANBU, SAUDI ARABIA

A team of employees and I took on a personal initiative to launch a program that we refer to as Personal Sustainability Initiatives (PSI). The objective is to have employees take on a personal challenge or "promise" to initiate a sustainability action at work, in their community, or in their personal life. The personal initiative can be as simple and impactful as arranging to car pool with fellow employees, cycling to work, or participating in promoting sustainability at schools. If there is any hope to solve sustainability issues worldwide it will require a personal dedication that can only come from strong values and behaviors. Our initiative depends completely on the personal commitment of an employee "promising" to take responsibility for their specific action. These personal commitments have an empowering effect upon our employees and make them feel more motivated and engaged with the business and the community.

I am personally very excited to be part of this effort because I see the multiplying effect that starts with a simple personal commitment and spreads to fellow employees, to the community, and to family members. PSI engages and empowers employees to take actions, to create a difference, and to no longer see their efforts as a drop in the ocean.

# PRODUCT SAFETY

The importance of product safety in the chemical industry continues to grow, with increased pressure from our customers, consumers, and society as a whole for transparency regarding product-safety data, product ingredients, and product regulatory status. Meeting these expectations requires a company to have strict product-safety processes. For SABIC, this is one of the most important sustainability issues. Our objective of a complete portfolio of tools and business processes that minimize risks, ensure regulatory compliance, and demonstrate product-safety leadership is detailed below.





## TRAINING AND ENGAGEMENT

A vital component of ensuring product-safety responsibility is sharing knowledge of crucial issues and regulatory topics. During 2013 we ran a series of web-based training and webinar awareness sessions, which allowed us to engage effectively and efficiently with over 3,000 SABIC employees and hundreds of customers.

We also conducted mandatory and supplementary internal training for many employees who have product risk-management responsibilities in various functions of the business. A broad range of topics was covered, including product-safety awareness, compliance requirements, classification and labeling, use of customer-request handling systems and tools, and Good Manufacturing Program (GMP) requirements.

## ADVOCACY

Our Product Stewardship organization regularly works in conjunction with Government Relations to support the development of chemicals-management regulations in Europe, the Americas, and Asia. Our aim is to have science-based regulations in place that protect the safety of workers, consumers, and others in the value chain. When supporting developing countries, we

advocate that governments use the regulatory toolbox developed by the International Council of Chemical Association (ICCA), as a starting point for chemical-control regulations. In addition, we have worked with third-party organizations to advance science-based regulation in bisphenol A (BPA), methanol, styrene, food-contact materials, drinking-water materials, GMP standards, and endocrine disruptors.

## POLICIES AND STANDARDS DEVELOPMENT

Another key component in SABIC's Product Safety program last year was the development and approval of a Product Stewardship Management Standard (SHEM 16), which contains detailed requirements for our SBUs and our Technology & Innovation, Procurement, and Manufacturing organizations. The standard complements the set of Safety, Health and Environmental Management Standards (SHEMs) already in place and described in the "Establish a Culture of Safety" section of this report. Thanks to SHEM 16, the following important business processes now have standardized product-safety requirements: Raw Material Qualification, Product Qualification, Hazard Communication, Compliance Testing, and Chemical Inventory Management, among others. The standard will be implemented across the global organization throughout 2015.



## PRODUCT-SAFETY COMMUNICATION

SABIC has been working to provide up-to-date product-safety information to its downstream users. In 2013 we released 24,744 new or updated Safety Data Sheets in 30 languages. We are also getting close to reaching our target of having Global Product Strategy (GPS) safety summaries available for all of our highest-hazard products for all business units. At the time of this report's release, 80% of the target-safety summaries are uploaded on the GPS chemicals portal of ICCA. All are currently available in English, and our ambition is to have them translated into 10 major languages for SABIC's key markets.

In addition, SABIC has made several modifications to its Customer Declaration Portal (CDP) system, enabling us to handle customers' rising expectations with regard to, for example, compliance statements, safe-use information, and confirmation of chemical absence. The tool is also currently used to capture and respond to sustainability requests, but in the future its use will be extended to include Quality Management (ISO), EHSS, and Code of Ethics information.

## ORGANIZATION DEVELOPMENT

This year we established a Product Stewardship organization in Riyadh, dedicated to the Middle East and Africa region. The organization works together with experts from other regions, and plays a key role in leading relevant initiatives, especially with SBUs located in Saudi Arabia.

## RESPONSIBLE CARE® 14001

Product Stewardship was closely involved in the execution of the RC14001 audit for the Saudi Arabia region. During this audit, no findings were reported and auditors were impressed with our value-chain engagement processes. Internal auditors are now preparing for an RC14001 readiness-assessment inspection at our large European sites, in preparation for the 2014 external certification.

## COMPLIANCE AUDITS

In 2013, Product Stewardship conducted internal audits of 20 SABIC production facilities located on 10 different sites in Europe, Asia-Pacific, and Saudi Arabia. While overall performance was very good, opportunities for improvement were identified and acted upon. Many best practices were observed and shared with other sites. Examples include:

- 1) A fully controlled automatic product-handling and logistics-management system at Saudi Kayan, Jubail, Saudi Arabia, which interfaces with SAP
- 2) A loading and bulk carrier-tracking system at Gelsenkirchen, Germany, which includes license-plate recognition of trucks through the whole site
- 3) A portable X-ray testing system for bromine detection in Chungju, South Korea, which is applied to all finished goods as well as key imported raw materials.

## PRODUCT QUALIFICATION

In 2013 we further integrated and refined Product Stewardship expectations in the new product-development gating process, used business-wide. At the various project stages, leaders are required to execute specified assessments with product-safety specialists. We enhanced the assessment criteria, to improve the program review of product-safety elements throughout the expected life cycle of the new product.

## SAFETY ASSESSMENT

In 2013, Product Stewardship met strict regulatory-compliance deadlines by completing a number of mandated studies and chemical-safety reports to support REACH registrations in Europe. The team also updated unique Product Stewardship scorecards, which provide hazard evaluations, regulatory reviews, and an analysis of future scientific trends for aromatics, oxygenates, and flame retardants.

“  
NO FINDINGS WERE  
REPORTED AND AUDITORS  
WERE IMPRESSED WITH  
OUR VALUE-CHAIN  
ENGAGEMENT PROCESSES.  
”

## PROCESS-PERFORMANCE METRICS AND TRENDS

In 2013 we completed the planning phase for the Product Stewardship Long-Term Strategy. Teams focused on six areas: chemical advocacy, chemical risk assessment, KPIs and goals, integrated data and document management, enhanced company culture, and the Product Stewardship organization design. They delivered over 140 recommendations, of which 14 high-impact recommendations were selected for implementation in 2014.

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

In 2013, we developed a product-safety incident metric, which is currently undergoing performance base-lining. This will ultimately be integrated into business-level EHSS performance criteria for our SBUs, which we refer to as SHER performance. In the table below we report data on new product-safety metrics or trends: product-safety incidents, GHS product labeling, and customer product-safety inquiries.

The product-safety incidents described above were thoroughly investigated by SABIC and third parties to establish whether there was any significant risk to our customers, downstream users, or the environment. In all cases, no harm was found. If there had been evidence of harm, we would have worked with the affected stakeholders in the value chain to identify and properly remediate existing and future issues.

A beneficial trend analysis for assessing both the required hazardous-product labeling needs and the extent of products classified as hazardous (according to GHS guidelines) that make up the SABIC product portfolio is shown below. As more countries implement GHS, and derive classification guidance for chemicals as well as the introduction of new toxicological data, we fully expect this number to increase.

Evidence of a key trend in product-safety expectations is the number of customer product-safety inquiries in the table below. SABIC observed a 75% year-on-year increase in customer product-safety inquiries, demonstrating the importance of this topic to customer compliance processes and product selection. We fully expect this trend to continue in the coming years as product regulatory requirements increase and customer expectations continue to evolve.

SABIC has made standard regulatory documentation (for example, SDS and declarations) available on its European Internet pages, so that customers can directly access this wealth of information. Last year over 35,000 product-safety documents were downloaded by our global Polymers business customers, supporting the increasing need for consumer protection and compliance from our value chains. In the near future, we aim to roll out this service to other regions and SBUs.

## LOOKING AHEAD

SABIC expects the complexity of the regulatory environment and the expectations of customers on product safety to continue to increase. In turn, we must continue to ensure that we have systems, processes, metrics, and goals to support these needs.

As mentioned in the product-safety highlights above, SABIC's Product Safety program now has a well-defined roadmap for achieving a world-class product-safety performance – which not only complies with current laws but also exceeds stakeholder expectations, and is beneficial to the company as a whole. Achieving the new Responsible Care® Product Safety Code certification by 2016 is just one example of our activities that go beyond compliance. The initial set of 14 high-priority recommendations for 2014 will have a profound effect on how SABIC views and manages product safety. The remaining recommendations will be revised annually and become the roadmap for 2015 and beyond.

### PRODUCT-SAFETY METRICS TRENDS

	2012	2013
Contamination of food, medical, toy product sold to customer <sup>1</sup>	–	1
Number of products that require GHS hazardous material labeling <sup>2</sup>	–	72
Number of customer product-safety enquiries <sup>3</sup>	4824	8462

<sup>1</sup> Presence of a nonintentional ingredient that implies that the product no longer meets the local food, medical, or toy regulatory-safety requirements.

<sup>2</sup> Based on global GHS labeling requirements as of December 31, 2013

<sup>3</sup> Regulatory or customer-specific product-conformance criteria requiring customized response

# SUPPLY CHAIN

Supply chain, which includes all activities and organizations from sourcing of materials and services through to delivery of product, is one of SABIC's most important and complex operations. We have around 30,000 suppliers globally, ranging from providers of feedstock for our manufacturing operations to providers of catalysts, parts, and services, as well as companies responsible for the transportation and storage of our products. Our objective is to develop a holistic approach to supply-chain sustainability consisting of an integrated system of internal, supplier-facing, and collaborative initiatives.

SABIC is a member of the Supply Chain Council and we follow the best practices described in their Supply Chain Operations Reference (SCOR®) model as a base for our supply-chain structure. As such SABIC supply chain follows processes that parallel the value chain of the products we provide to the market. The primary steps are: Sourcing, Making, and Delivering. All three steps are supported by an overall global supply-and-demand planning process.

Accountability for effective supply-chain execution resides with our individual SBUs. The SBUs are supported by functional organizations like Global Procurement, Corporate Strategy & Planning, and Manufacturing. For example, the Global Procurement Organization is responsible for the purchase of all direct and indirect materials, as well as services. To ensure continuous improvement of our processes we have also implemented organizations that we refer to as Centers of Excellence (COE). There are COEs for global procurement, manufacturing, and the global supply chain, and each is directly accountable to a SABIC Executive Vice President. COEs are responsible for specific processes and the application of best practices; for example the Global Procurement COE is responsible for the purchase-to-pay process and for overall procurement process development across SABIC. We contractually require our suppliers to comply with the SABIC Code of Ethics, which outlines 14 policies related to our primary risk areas including anti-corruption, fair-employment practices, and privacy and data protection. Supplier Management is an integral part of our SHEM system, aiming at continuous improvement of our value-chain partners. Qualification and audits are important means to drive this goal. SABIC is connected to regional standards like the Sustainability and Quality Assessment System for Middle East and Europe, supported respectively by the Gulf Petrochemicals and Chemicals Association and the European Petrochemicals and Chemicals Association.

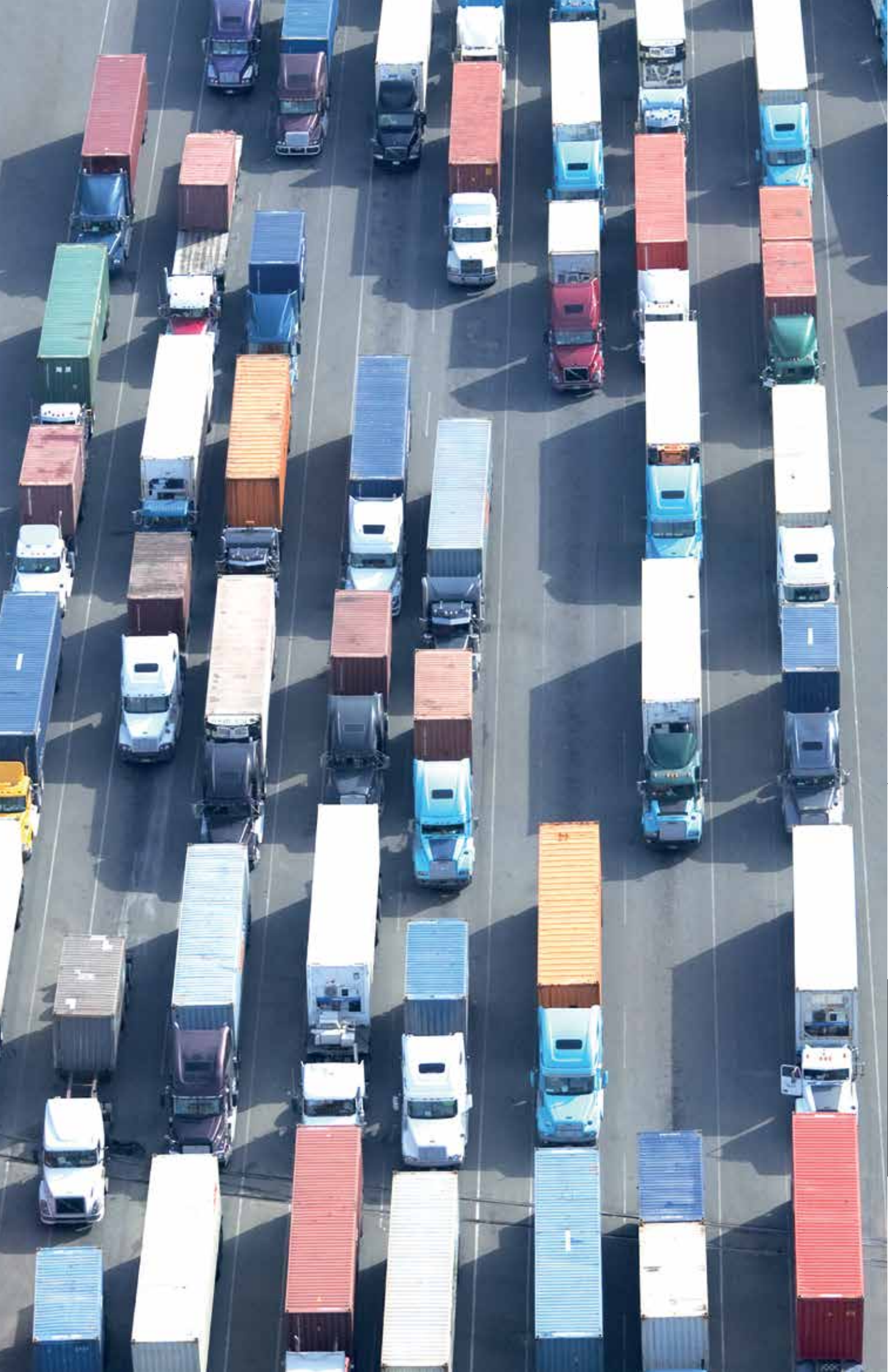
Accredited auditors from the mentioned assessment bodies will lead and execute the audits of logistic service providers. Further enrollment to other regions is a strategic objective. We intend to deepen our collaboration with suppliers to ensure we are receiving and developing the greatest value through the supply chain.

The Global Supply Chain COE has formulated a SABIC supply-chain strategy and bring coherence to our overall global efforts. Some of the major supply-chain processes within Global Supply Chain COE that we are continuously improving along with metrics and goals are:

- Global supply-and-demand planning
- Key raw material/feedstock planning
- Strategic sourcing of logistics services and capacity
- Order fulfillment and customer services
- Human-resource development for supply-chain professionals

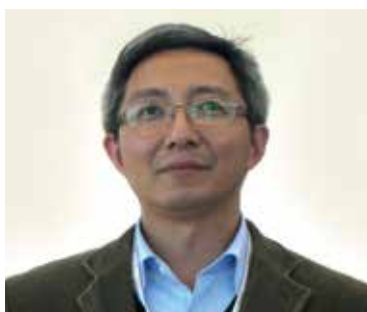
Effective management of large quantities of products, which we produce and distribute, is a source of differentiated value for our business. For this reason we have highlighted in the Case Study on page 122 how supply-chain process creates value across all sustainability dimensions.





## EMPLOYEE TESTIMONIAL

# FURTHERING FOOD SAFETY



**SAM BIAN, PH.D.**  
SENIOR MANAGER, PRODUCT SAFETY,  
GLOBAL PRODUCT STEWARDSHIP, CORPORATE EHSS  
SHANGHAI, CHINA

I work as part of a global team that is responsible for product-stewardship programs and activities across all SABIC's SBUs. My particular focus is to lead global product-safety activities and meet regional Asian needs for product-advocacy and product-regulatory requirements.

Asia is a rapidly changing and complex arena for product safety and I need to ensure that our customers receive safety data that are in accordance with country and regional regulations, as well as local-language requirements. It is not unusual to create product labels and safety data sheets in 25-30 different languages for each SABIC product. My team is also responsible for preparing compliance letters for customers regarding products' conformance with specific regulations and customer product standards, such as EU REACH Substance of Very High Concern and ECO-Label standards. To improve SABIC's ability to meet customer expectations, we created a customer-declaration portal to track and respond to all customer product-compliance requests. Speed and accuracy in our response are essential.

“  
WE ARE, LITERALLY, A  
LEARNING ORGANIZATION  
EVERY DAY OF THE WEEK.  
”

One aspect of my specific role that I enjoy is when special customer requests emerge for which there is no existing practice in place. In these situations, our entire global team learns how to handle new value-chain expectations and develop new practices. In Product Stewardship, we are a learning organization every day of the week.

My special expertise in Chinese product regulations has led to my holding the role of Chair of the Food Safety sub-committee of the Association of International Chemical Manufacturers since January 2012. I have used this position to encourage collaboration between chemical companies and governments to positively shape the development of food-safety regulations (GB9685). For this I was awarded first prize in the Chinese National Standard Innovation by the General Administration of Quality Supervision, Inspection, and Quarantine of the People's Republic of China and the China National Standardization Management Committee.

I appreciate that SABIC leadership encourages such strong involvement and product-safety advocacy. The relationships we are developing in China will help us to advance product safety in the Chinese economy and to create value for SABIC, our partners, and our customers in Asia. It is very satisfying to know that every day I have the opportunity to increase product safety in the markets and communities we serve globally and especially in the Asia Pacific region.

# LOOKING FORWARD

Effective and transparent relationships around common goals with customers, suppliers, governments, nongovernmental organizations, and communities are necessary to solve sustainability issues and create value. These relationships form the basis for collaboration, freedom to operate, and the basis for growth as a business.

We highlight in this section three categories of relationship: our relationship with communities, our many relationships up and down the supply chain, and our relationships around product safety from beginning to end in the life cycle. The last two categories are high-priority issues from our materiality assessment.

With respect to our community activities, we are looking to harmonize our processes globally, make our actions more strategic with lasting impact, and measure our growth in employee engagement. We believe employee engagement is transformative for the community and our employees. The values and behaviors associated with volunteerism can propagate through the community and will carry over into our business activities. We will be reviewing the strategy for Community Engagement with the SABIC board in 2014.

Supply-chain management, including procurement, touches everything we do and provides many opportunities to create value in every dimension of sustainability. We will continue to invest in the development of our professional resources and processes. One important next step is to assign metrics and goals to the critical processes within our supply chain. We also want to increase our emphasis on the procurement side of our supply chain that deals with the thousands of suppliers we depend on.

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PRODUCT SAFETY IS THE KEystone IN THE FOUNDATION OF TRUST THAT THE CHEMICAL INDUSTRY MUST HAVE WITH SOCIETY.

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Product Safety is the keystone in the foundation of trust that the chemical industry must have with society. We will continue to be proactive in our processes and communications and will develop additional metrics that reflect the performance of our processes. Externally we will focus on being prepared for changing scientific, market, and regulatory expectations. Internally we will emphasize training and early engagement of product safety in program and business decisions.

Building Social and Community Relationships is ultimately an outcome of the overall stakeholder-engagement strategy and process. In 2014 our efforts to strengthen this will further clarify the relationships we will develop and report on in the future.



# A FOCUS ON SUPPLY-CHAIN EXCELLENCE

Given our role as a large supplier of commodities and a growing supplier of diversified materials, few areas have more impact on our stakeholders than proper management of the supply chain. An effective supply chain must deliver many features, including: safety, reliability, environmental stewardship, precise inventory management, security of supply, cost, and quality. It must deliver this day-in and day-out at a global level without fail, while operating in a world of emerging markets, diversification, changing risks, regulations, and opportunities. Successfully managing these elements requires large, long-term, sustainable investment in facilities, processes, systems, and skilled professionals.

The sustainability implications of supply-chain management are generally viewed in terms of risk reduction or of minimizing negative impacts on society. Indeed, the scale at which materials must move around the world to support the global economy does present major safety, security, and environmental challenges. However, when the supply chain is managed by highly capable processes and personnel, we see tremendous opportunities to improve all four elements of capital addressed in this report. We therefore consider the supply chain to be a material issue for SABIC, and have chosen to highlight it as a case study in our 2013 sustainability report.

## SUPPLY-CHAIN STRATEGIC OBJECTIVE

Sustainability is about more than just protecting our natural environment. It is also about addressing economic value, nurturing talent, and developing social and community relationships. To ensure we create a broad platform that is able to deliver a comprehensive response, the Global Supply Chain Center of Excellence (GSC COE) has developed our SABIC Supply Chain Strategy, with input from SABIC's various SBU Supply Chain Management (SCM) functions.

The overarching strategic objective is to address SABIC's challenges and opportunities – both from the traditional commodity supply chains and from the emerging differentiated supply chains – in a sustainable manner.

## CREATING ECONOMIC VALUE

The supply chain is able to deliver value through optimization of working capital and cost, while maintaining the highest-quality customer service. Through application of applied-learning techniques (see Human Capital Development Section) acquired in 2013, our Metals business was able to reduce its working capital by 25%, and also reduced unplanned stock production by 65%, eliminating waste. Our Polymers business in Asia implemented a grade-classification initiative to optimize the delivery process and meet customer needs without compromising on service quality and proximity to serve. This initiative will reduce days of inventory by up to 26%, and result in cost savings of approximately 10%.

“  
SABIC SEES RAIL AS A MORE SUSTAINABLE MEANS OF TRANSPORT AND ACTIVELY SUPPORTS THE CURRENT DEVELOPMENT OF THE RAILWAY NETWORK IN SAUDI ARABIA.  
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07  
ADDENDUM



SABIC in Europe chemical storage tanks

Through the application of Master Production Scheduling (MPS) processes at five Saudi Arabian plants, lower cycle-stock requirements were achieved, resulting in significant reductions in working capital of polyethylene grades. Our Polymers business in Europe opened a rail terminal at the Chemelot site in Geleen, Netherlands, which is directly connected with the heart of the European railway network. This has allowed the site to deliver its product in Europe with greater fuel efficiency, and to reduce road congestion in the communities it serves. As Raf Bemelmans, Director Supply Chain Polymers Europe, points out: "SABIC initiated this project, with the vision of establishing direct rail access to the Chemelot site and the industrial region, thereby saving CO<sub>2</sub> emissions and costs. Road transport to other rail terminals such as Genk or Duisburg can now be avoided."

In 2013, SABIC leased a state-of-the-art 81,000-ton dead weight (DWT) chemical tanker from the National Chemical Carriers (NCC), through its shareholding in the International Shipping and Transportation Company (ISTC). This chemical SBU-dedicated vessel is the largest, most sophisticated chemical carrier in the world, increasing SABIC's loading capacity per voyage by 67%, compared with standard vessels completing a similar number of voyages per annum. With this vessel, SABIC will also minimize congestion at loading and destination ports, reduce operating cost, reduce fuel consumption by up to 46%, and cut CO<sub>2</sub> emissions by approximately 16,500 tons per year compared with using smaller vessels.

## PROTECTING NATURAL CAPITAL

SABIC is committed to creating a responsible supply chain through various initiatives that aim to reduce energy consumption by 0.7 million barrel of oil equivalent (MMBOE) by 2016. In Europe, SABIC's Chemicals business and its strategic partner Oil-Tanking built 10 new chemical storage tanks that are 99.7% emission-free. These so-called 'cup tanks' have internal floating roofs, double seals, a double hull, and a vapor recovery unit. Without these tanks, up to 6,000 tons of hydrocarbons per year would be released into the atmosphere.

Our Innovative Plastics business and its partners were awarded the 2013 Ministry of Economy, Trade, and Industry (METI) Minister's Award for Green Partnership in recognition of their carbon-emissions-reduction initiative in Japan. This initiative saw SABIC and Kubota Corporation implement backhaul opportunities for containers, ensuring their full utilization both ways. This optimization reduces environmental impact both from fuel usage and CO<sub>2</sub> emissions, and translates into reduced carbon emissions of up to 30% from inland transportation to Kubota's site in Moka, Japan.

Innovative Plastics in the US has improved SABIC sustainable logistics through the Environmental Protection Agency's (EPA) SmartWay® program. SmartWay is a public-private partnership between the EPA, large and small trucking companies, rail carriers, logistics companies, commercial manufacturers, retailers, and other federal and state agencies. Industry leaders and the EPA organized SmartWay to identify new ways to improve efficiency, reduce costs and emissions, and improve the working relationship between freight shippers and carriers, as well as with government. Innovative Plastics joined SmartWay as a partner in 2012. In one year of membership the SBU has made great strides, reducing its carbon footprint for US transport of materials by 29%, which equates to 93,000 tons of reduced emissions year on year.

According to Bob Shellman, chief executive officer of Odyssey Logistics & Technology Corporation: "Odyssey manages about 140 land carriers for use on SABIC IP product distribution in the United States. By working collaboratively with SABIC's Innovative Plastics business, Odyssey is proud to report that over 90% of the product distribution miles are with SmartWay-certified carriers."



### NATURAL AND ECONOMIC CAPITAL

In 2013 SABIC leased the largest and most sophisticated chemical carrier in the world. It minimizes port congestion, reduces fuel consumption by up to 46%, and cuts CO<sub>2</sub> emissions by 16,500 tons per year compared with equivalent shipping with smaller vessels.





# 46%

REDUCTION IN FUEL  
CONSUMPTION, LEASING  
THE LARGEST AND  
MOST SOPHISTICATED  
CHEMICAL CARRIER  
IN THE WORLD.



Supply Chain Career Development and Competency Program (SCDP)

## HUMAN-CAPITAL DEVELOPMENT

The GSC COE and HR formally launched the Supply Chain Career Development and Competency Program (SCDP) in 2013. The primary objective of the initiative is to provide a consistent, best-in-class method for the career development of SABIC professional employees. The program will ensure alignment of the needs of the business and professionals' aspirations, and will provide a set of career-development tools and resources, available to all employees, to maximize their professional and personal development. It will assist leaders and employees to transition through the right roles and experiences to create a world-class supply-chain workforce and provide rewarding careers. The SCDP for fresh graduates and the relevant supply-chain competencies for SABIC was rolled out in March 2014.

In March 2013, SABIC and the Pennsylvania State University (PSU) signed a strategic-partnership agreement aimed at accelerating development of SABIC's human capital across its supply chain in all its SBUs and global regions. Commenting on the agreement, Mohamed Al-Mady said, "After the transformation of its Supply Chain through a global project – which we refer to as the EMDAD Project – and the founding of a new Global Supply Chain Center of Excellence, the last remaining piece needed to cement SABIC's industry leadership in supply chain for years to come was to build a corps of top-performing professionals in the sector. This pool of professionals should be large enough to fill key supply positions across SABIC's global supply chain, and talented and deep enough to keep SABIC on the leading edge of supply-chain innovation."

This new partnership will support and supplement SABIC's existing in-house supply-chain human-capital development programs. It will also introduce an ambitious program of real-time Applied Learning for existing cross-functional teams aimed at helping people across SABIC to identify and analyze supply-chain constraints, and then develop innovative and industry-differentiated solutions to improve efficiency, cost, and environmental performance.

The partnership is aimed at fostering a culture of continuous improvement in SABIC, including training of coaches who are SABIC employees, and supported by state-of-the-art value-chain-analysis techniques. Both SABIC and PSU are confident that their long-term partnership will set SABIC on the path to be the top supply-chain performer in the petrochemical industry. "Human Capital Development is one of the strategic enablers for the supply chain to reach world-class standards. This is a long-term commitment by SABIC," said Saleh Al-Shabnan, VP, Global Supply Chain Center of Excellence.

The Polymers team in Singapore, together with SABIC Academy and the GSC COE, completed SABIC's first Applied Learning program, called "Moving the Gears Faster – Together" in 2013. The team developed a process-improvement design aimed at increasing the velocity of the end-to-end process, from customer engagement to product delivery from the Singapore hub: one of SABIC's container trans-shipment centers in Asia Pacific. Within 90 days, the team had developed innovative solutions to overcome operational challenges faced by the business, and had implemented many of the solutions in real time. The innovative solutions will accelerate process velocity by 25-35%, which translates into additional sales revenue, working capital reduction, and an annual supply-chain saving. More than 600 customers in Asia will benefit, with faster turnaround of our overall delivery and service.

The Applied Learning model provides coaching and training to teams to realize a significant business-improvement opportunity. It required participants to apply their new skills immediately to solve business challenges, encouraging superior knowledge retention and accelerating the company's return on the training investment. Team members are now equipped with the competencies accredited by PSU.

In the words of David A. Demers, Distinguished Faculty Associate in Supply Chain, Pennsylvania State University: "By getting people across functional groups to work together to continuously enhance the speed, safety, and efficiency of flows from suppliers to final customers, Applied Learning efforts such as these create enormous value, and help employees across SABIC develop their capacity for innovation – making it a strategic internal capability that will help the company sustain its competitive edge long into the future."





Supply Chain Management team from SABIC in Asia receiving the Green Supply Chain Contributor of the Year Award

(left to right)  
Bonnie Zhang, Manager, SC Execution, Polymers, Greater China;  
Huang Bo, Supervisor Sourcing & Contracting, SC Execution, Chemicals, Asia Pacific;  
Faisal Al-Olayan, Director, SCM, Polymers, Asia Pacific;  
Mark Tarrant, GSC COE Regional Director;  
Ayed Al-Ayed, Director, SCM, Chemicals, Asia Pacific;  
Tony Yin, Supervisor, SC Execution, Chemicals.

## SOCIAL AND COMMUNITY RELATIONSHIP DEVELOPMENT

Making the roads a safer place to travel for the wider community is a supply-chain objective that SABIC takes seriously. By formalizing a memorandum of understanding with Saudi Arabian Railways in 2013, SABIC demonstrated its commitment to this national strategic initiative in the Kingdom. The rail link in Saudi Arabia (page 123) will replace 200,000 truck shipments per year with 2,700 train shipments from our Metals business, greatly improving road safety and fuel efficiency (47% reduction). Similar proportional reductions will be realized for the Polymers and Chemicals businesses as they migrate to rail in the longer term.

The commissioning of the Portside Logistics Facility (PLF) at the Jubail Commercial Port, and extensive negotiation with shipping lines, allowed the Polymers business to add three new shipping lines calling on Jubail and to ship a record 2.5 million tons through Jubail port in 2013. This translates into approximately 300,000 fewer trucks on the road to Dammam port, reduced CO<sub>2</sub> emissions of up to 100,000 tons, and a reduction in diesel consumption of up to 30 million liters per annum.

SABIC was also awarded the Green Supply Chain Contributor of the Year at the 2013 China Petrochemical Supply Chain Summit. In one such supply-chain initiative, SABIC is working with the SINOPEC SABIC Tianjin Petrochemical Company (SSTPC). This joint venture with Sinopec, a strategic project to install pipelines to the port, will eliminate 17,000 trucks from the roads in Tianjin, China, vastly improving road safety and significantly reducing CO<sub>2</sub> emissions by an estimated 1,670 tons per annum.

In the words of Mark Tarrant, Regional Director, Global Supply Chain COE. "Environmental sustainability is an integral part of supply chain and makes total sense. In simple terms, smart network design and smooth product flow reduce the carbon footprint and cost."

Furthermore, in Europe, the Chemicals business chaired a joint initiative between the main safety associations to implement best-practice guidelines for safe loading and unloading of chemical road-freight vehicles. In America, the Chemicals business has received the CSX Chemical Safety Excellence Award for no spills, accidents, or environmental hazards while shipping rail cars, thus ensuring we honor our social and communal commitments.

## CLOSING REMARKS

As sustainability forms a key pillar in SABIC Supply Chain strategy, the GSC COE will develop a more detailed sustainability Key Performance Indicator (KPI) dashboard in 2014 to measure and report more clearly on supply-chain sustainability initiatives and achievements.

The GSC COE, together with the SBU Supply Chain functions, will ensure that SABIC has a team of world-class supply-chain professionals positioned to provide best-practice guidance to employees across SABIC's supply-chain community as well as to promote supply-chain innovation and sustainability across the company and our wider stakeholder community.

“  
HUMAN-CAPITAL DEVELOPMENT IS  
ONE OF THE STRATEGIC ENABLERS  
FOR THE SUPPLY CHAIN TO REACH  
WORLD-CLASS STANDARDS. THIS IS A  
LONG-TERM COMMITMENT BY SABIC.  
”

# 07 ADDENDUM



# 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 2013 (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 2013 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. 27, 72)
  - Greenhouse gas emissions (p. 27, 72, 73)
  - Water usage (p. 27, 74)
  - Material loss (p. 27, 75)
- The SABIC corporate values of the Environmental, Health, Safety and Security indicators:
  - Total Recordable Incident Rate (p. 27, 95)
  - Safety, Health and Environment Rate (SHER) (p. 27, 94)

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

We do not provide any assurance on the achievability of the objectives, targets and expectations of SABIC for the 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 (G4) 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 nine 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 2013 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.

Amsterdam, 24 June 2014  
KPMG Sustainability,  
Part of KPMG Advisory N.V.  
W.J. Bartels RA, Partner

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#### Global Headquarters

PO Box 5101

Riyadh 11422

Saudi Arabia

T +966 (011) 225 8000

F +966 (011) 225 9000

E [info@sabic.com](mailto:info@sabic.com)

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