

CHEMISTRY THAT MATTERS™

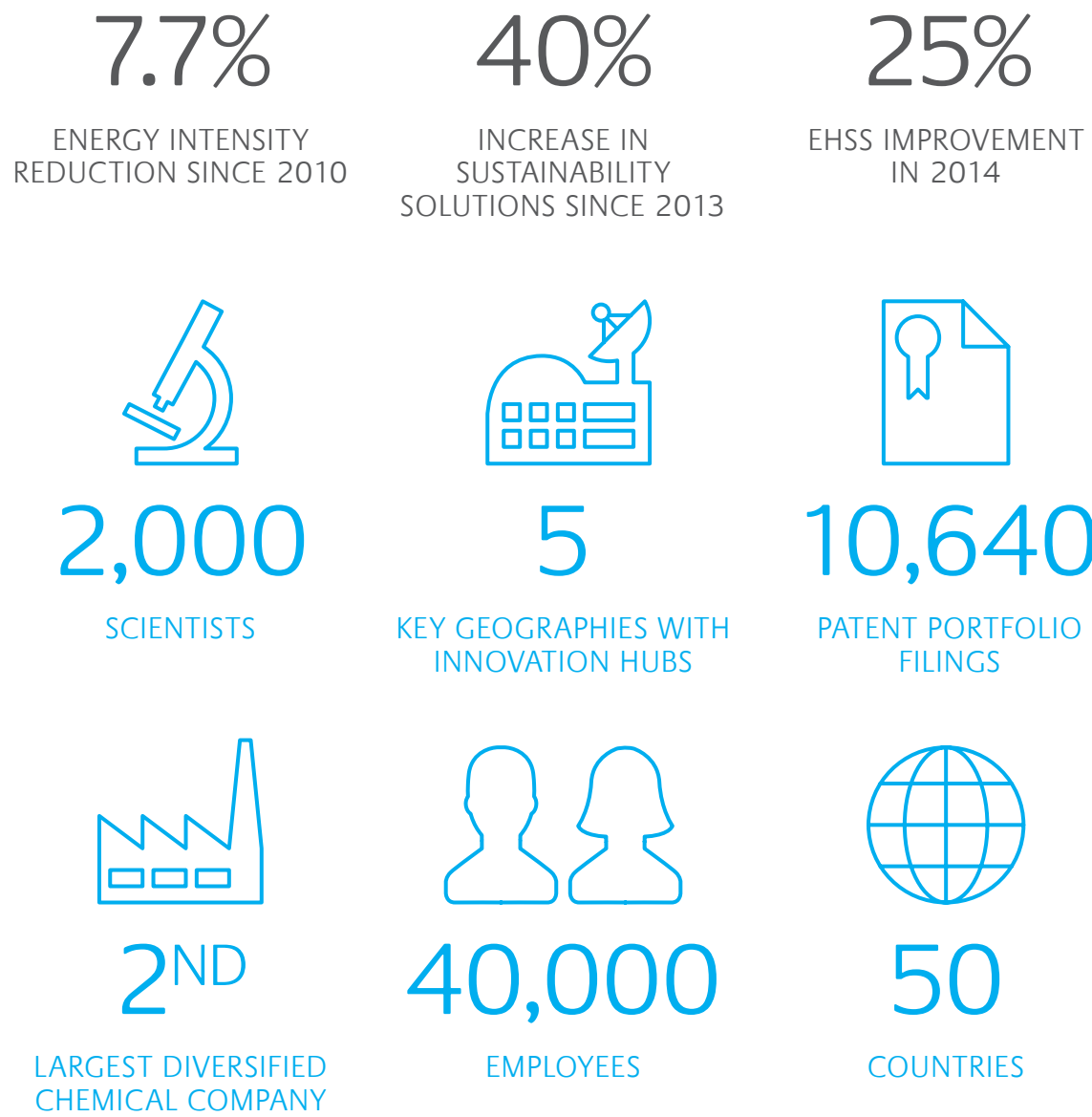


FOUNDATION FOR THE FUTURE

SUSTAINABILITY REPORT 2014



SABIC OVERVIEW



SUSTAINABILITY AND MATERIALITY

VALUES
To transform sustainability challenges into opportunities, we not only need people with the right skills, but also the right values. We have defined our key values as Inspire, Engage, Create and Deliver, and we use them as the standards against which we measure our people. We believe they enable us to create sustainable value for our stakeholders in the key areas we have defined as natural, financial, human and social capitals. More details on our values are available on our website, www.sabir.com.

MATERIALITY
Since 2011, we have been using materiality analysis to ensure we focus our resources on the risks and opportunities that are most important to our stakeholders and to our business success. We refreshed the analysis in 2013, with the intention to continue refreshing periodically. Seven focus areas were developed from the materiality assessment, which were further refined and combined into five (see illustration) in 2014.

These focus areas enable us to prioritize our activities, allocate resources and decide where to develop processes and metrics to track our performance. We address these most material issues by integrating sustainability with the other foundational elements of our business and corporate strategy.



CHAIRMAN'S WELCOME



PRINCE SAUD BIN ABDULLAH
BIN THENAYAN AL-SAUD
CHAIRMAN

This year's Sustainability Report – our fourth – comes at a time when we have made great progress in integrating sustainable practices into our global business operations. We have chosen this path to build a leaner and more efficient organization with sustainable product solutions that is better prepared to face tomorrow's challenges. This is why we have chosen “Foundation for the Future” as this year's theme.



EVALUATING SUSTAINABILITY IMPACTS AT EVERY STAGE OF OUR RESEARCH AND DEVELOPMENT PROJECTS IS BUILDING THE TECHNOLOGY PORTFOLIO THAT WILL LEAD US TO EVEN MORE SUCCESS.

Since our establishment in 1976, we have turned surplus natural gas into valuable products, economic growth and employment for the benefit of communities – so elements of sustainability have been part of our business model since our inception. The official launch of our sustainability journey in 2009 was a step toward adopting a more holistic approach. Making sustainability part of the foundation of our 2025 strategy accelerated this transformation. Building sustainability into everything we do has helped us emerge as a global leader in the petrochemicals industry.

Embedding sustainable practices into our global operations has resulted in energy savings, improved resource efficiency, technological innovation, and cost savings. It is also helping us to achieve one of our main objectives – controlling emissions. A major CO₂ utilization project coming online in 2015 will bring us even closer to this goal. Evaluating sustainability impacts at every stage of our research and development projects is building the technology portfolio that will lead us to even more success.

Embracing sustainability is an integral part of SABIC's transformation into a more market-focused company that engages with customers to find advanced solutions that will help them to realize their ambitions. This can mean providing lighter, stronger or more easily manufactured materials for superior components. All our end-user market segments – transportation, packaging, medical devices, electrical and electronics, agri-nutrients, clean energy and construction – are looking for new ways to integrate new sustainable solutions. Understanding and fulfilling these needs benefits our customers.

Sustainability is now firmly embedded in the fabric of our business – from emissions targets to product development, business milestones and overall strategy. It guides our practices, technology development and outlook to the point where it has become part of our company's DNA.

As we integrate more and more sustainable initiatives into our business in the Kingdom of Saudi Arabia, citizens and the national economy are reaping the rewards. These include more high-quality jobs, business opportunities for a host of supporting industries and thriving new technology and development centers that are passing on knowledge and skills to future generations.

I would like to thank all SABIC employees for embracing sustainability as a foundation for our current and future success and, in doing so, being catalysts for continued positive transformation. I would also like to thank our other stakeholders, including customers, affiliates, investors and the Kingdom of Saudi Arabia's Government, for their continued confidence and trust in the value we bring as a business.

We will continue to strive for our 2025 strategy's ambitious goals: to become more global, more distinctive in our product offering and more efficient in our operations. In doing so, we will spread economic growth and opportunity in Saudi Arabia and around the world – and just as importantly help to strengthen communities. By continuing to dedicate our efforts to sustainability, through the measures outlined in this report, we intend to create more value for you.

VICE CHAIRMAN AND CEO INTERVIEW



YUSEF AL-BENYAN
VICE CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

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SUSTAINABILITY IS FUNDAMENTAL TO
OUR BUSINESS STRATEGY AND WE ARE
CONTINUALLY LOOKING FOR NEW WAYS
TO INTEGRATE IT INTO OUR BUSINESS.

HOW DOES SUSTAINABILITY FIT INTO THE 2025 STRATEGY?

It is one of the foundation stones that supports the pillars of our strategy. This is quite deliberate. Working in an industry that uses finite natural resources, we know that the way we secure our feedstock, manage our sites, develop our people and manage our product portfolio will not only impact the environment, but also our business success. So we have set the 2025 goals to reduce greenhouse gases, energy and water intensity by 25 percent and material loss intensity by 50 percent against a 2010 baseline. In 2015, we plan to open the world's biggest CO₂ utilization plant in Jubail.

It will compress around 1,500 tons of raw CO₂ per day from ethylene glycol plants, which will then be piped to SABIC affiliates for use in methanol and urea production. Sustainability trends will influence all of our seven key market segments – transportation, packaging, medical devices, electrical and electronics, agri-nutrients, clean energy and construction. It is imperative to understand the sustainability direction within each market segment and work toward producing sustainable solutions that match the future market needs. Sustainability is fundamental to our business strategy and we are continually looking for new ways to integrate it into our business.

ONE OF SABIC'S HALLMARKS HAS BEEN TALENT DEVELOPMENT. HOW IS SABIC GOING ABOUT SECURING THE PEOPLE IT NEEDS TO BECOME THE PREFERRED WORLD LEADER IN CHEMICALS BY 2025?

We need the very best talent available, talent working in a culture that encourages innovation, excellence and organizational effectiveness. Progress in employee engagement and developing a performance culture is thus a top priority. Of course, our competitors want the same people, as do top companies in other fields, such as high tech and pharmaceuticals. We are seeing significant progress in our efforts to hire and retain the best people. In the last year, we have earned the Top Employers Institute's Asia/Pacific Award as well as its Europe Award. This international recognition demonstrates to potential hires SABIC's commitment to building and maintaining a culture that supports and develops its employees. At the SABIC Academy, over 8,000 participants attended a total of 614 training programs through the year, with 117 of those programs focusing on leadership development. We have also introduced incentive pay for non-executive employees. Our goal is to be a global employer of choice.

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WE NEED THE
VERY BEST TALENT
AVAILABLE, TALENT
WORKING IN A
CULTURE THAT
ENCOURAGES
INNOVATION,
EXCELLENCE AND
ORGANIZATIONAL
EFFECTIVENESS.

WHAT STEPS IS SABIC TAKING TO DRIVE SUSTAINABLE INNOVATION?

Technology development will determine the industry winners in the years ahead. We have invested in relationships with multiple globally acclaimed universities and we are expanding our internal innovation resources – both by building and expanding technology centers and by attracting and growing talented scientists. SABIC, after all, is the sum of the people who dedicate themselves to it every day. In addition, we have embedded sustainability assessments into our research and development process to grow our portfolio of more sustainable products.

TELL US ABOUT THE VALUE SABIC CREATES FOR THE KINGDOM OF SAUDI ARABIA.

We provide quality employment for tens of thousands of Saudis, not only in our own industry, but downstream from us in finance, insurance, shipping and elsewhere. Our industry's assets here in Saudi Arabia add enormous value to the economy. We are committed to supporting the development of the country's industrial sector. In 2014, SABIC joined with Saudi Aramco and the Public Investment Fund to create the Saudi Arabian Company for Industrial Investment, dedicated to attracting investment in areas with high potential for growth – including the maritime, water and electrical equipment sectors. Had Saudi Arabia's leaders made a different choice in 1976 – and elected not to create a petrochemical industry – SABIC estimates the country would have foregone an opportunity valued at around \$34 billion annually. I think that is a far more profound legacy than could have been achieved by simply exporting feedstock.

SUSTAINABILITY STRATEGY

Sustainability is fundamental to success in today's global marketplace. Since initiating our corporate sustainability program in 2008, SABIC has been working to integrate the environmental, social and economic dimensions of sustainability into the company's core business approach.

Today, sustainability is formally embedded as a strategic foundation of our 2025 strategy. This commitment is not only a strong statement to our stakeholders and competitors, but a powerful message to our employees, that sustainability is central to everything we do and a vital part of creating "Chemistry that Matters".

Announced in September 2014, our 2025 strategy states our ambition to continue to strive for world-class financial performance, while achieving at least 60 percent top-line growth. Our overall aim is to strengthen our position as a global leader in the chemicals industry. We made progress in 2014 to build the foundations that bring business value today while also supporting future success.

The diagram opposite shows sustainability's foundational position in our 2025 strategy and how it relates to other elements in our approach.

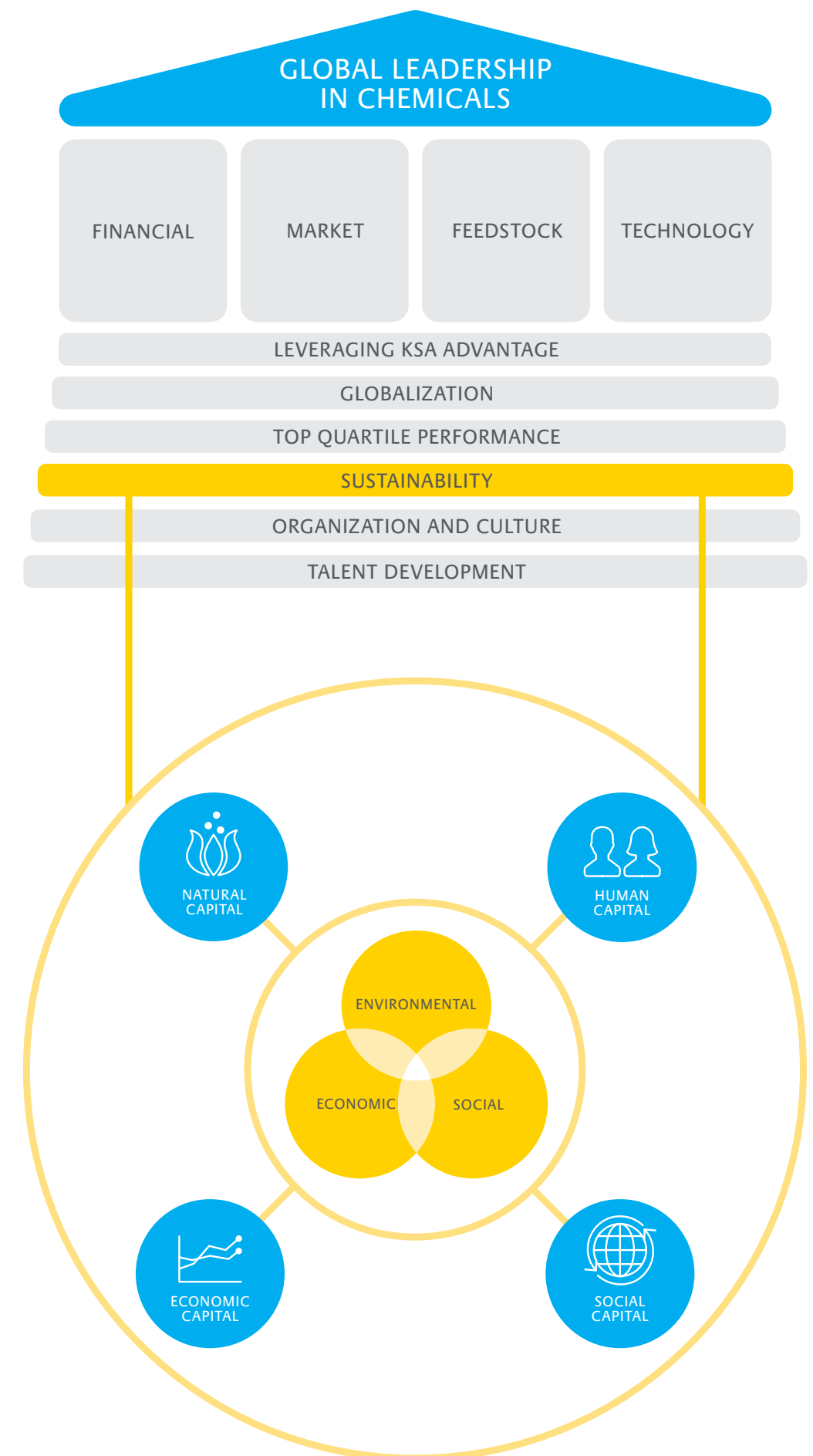
SABIC's 2025 strategy focuses on four vertical pillars we recognize as being critical to our success:

- Financial: representing the need for excellent financial performance
- Market: differentiating and adapting to market changes
- Feedstock: optimizing feedstock use
- Technology: investing in new technologies for greater productivity and differentiated products

The 2025 strategy is built on foundational elements that apply across all aspects of our business represented by the pillars. They include sustainability, talent development, organization and culture, globalization, top quartile performance and using our regional advantages. We believe that together these will allow us to improve, grow, innovate and transform to achieve our goals.

SABIC's sustainability strategy is an integral part of its corporate strategy. It includes identifying and analyzing world trends, anticipating and adapting to risks, capturing opportunities, and increasing business resilience – all for the benefit of both internal and external stakeholders. As such, we are always looking for new ways to improve our operational efficiency, invest in new low-carbon technologies and develop sustainable solutions, enabling us to decrease our environmental footprint and pass the sustainable benefit on to our customers. Strong external relationships – and an awareness of climate change, resource scarcity and population growth – give us the insight we need to approach key market segments efficiently and effectively. We are also exploring new sources of advantages in all key geographies, while also seeking to add socio-economic value to each region.

In 2014, SABIC continued to build lasting business value by following the strategic direction described in the 2013 Sustainability Report. We took action in the focus areas determined by analysis of global megatrends to build value across all the capitals – Natural, Economic, Human and Social. Indeed, we believe value creation within and among all these capitals is vital to building the foundations for the future, today.



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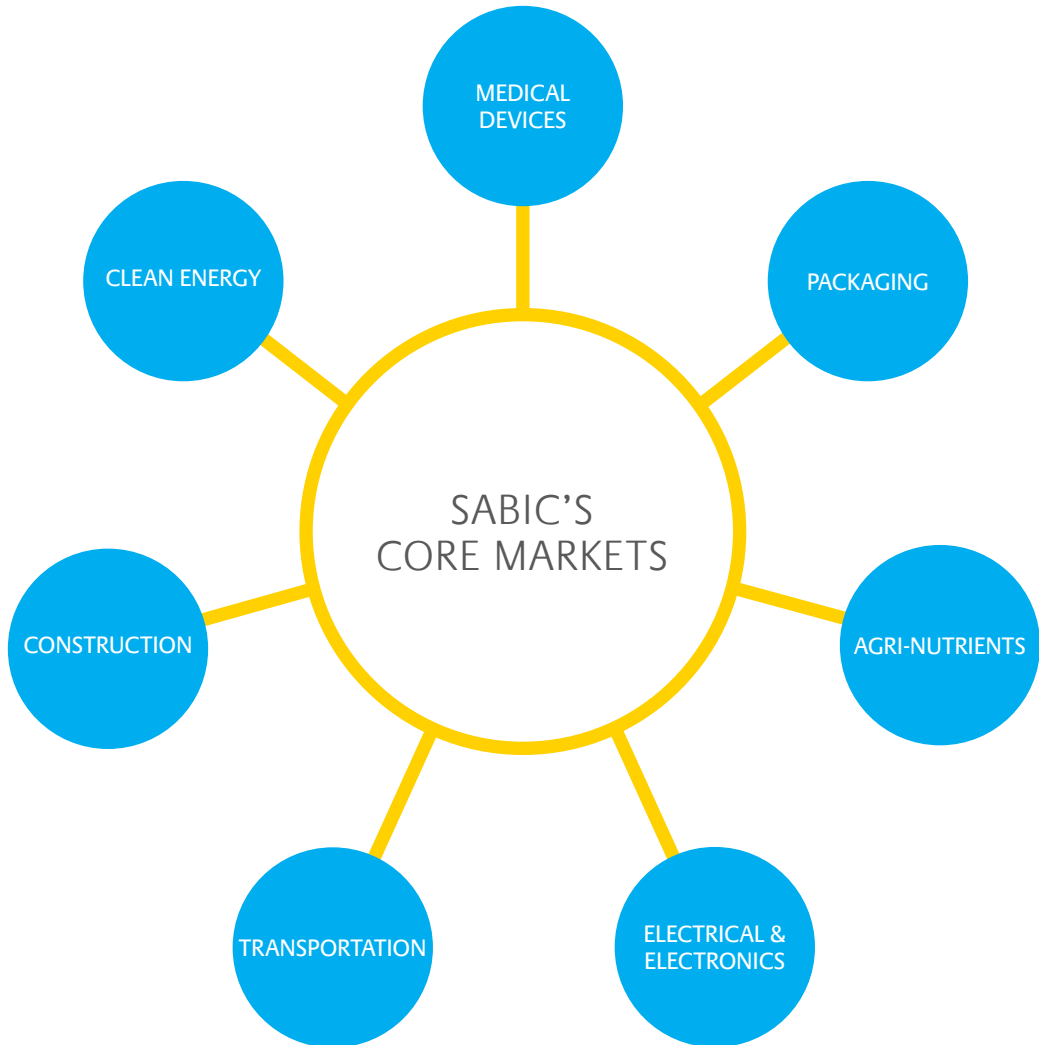
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ABOUT SABIC



CORE MARKETS

SABIC is one of the world's leading chemical companies. 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 mission: to be the preferred world leader in chemicals, and to provide quality products and services responsibly – through innovation, education, collaboration, and operational excellence. We aim to achieve all this while sustaining maximum value for our stakeholders.



STRATEGIC BUSINESS UNITS: 2014 SUSTAINABILITY HIGHLIGHTS



CHEMICALS

Excellent progress in the development of the world's largest chemical CO₂ recovery plant in the Kingdom of Saudi Arabia, which is on target to be implemented in 2015. For several existing plants, changing catalysts to increase the yield and product volume out of the same feedstock is having a positive impact on CO₂ emissions, energy intensity and financial results.



PERFORMANCE CHEMICALS

New products with sustainability features to serve more customers in growing markets. These include healthcare, textiles, construction, automotive, transportation, electrical, lighting, consumer electronics, alternative energy and water treatment.



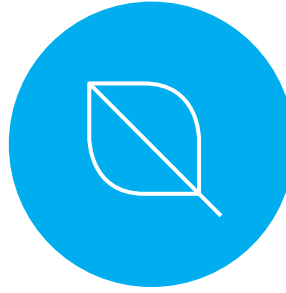
INNOVATIVE PLASTICS

The implementation of projects in multiple global manufacturing sites that focus on greenhouse gas (GHG) reduction and energy efficiency. These included process improvements for increased efficiency at varying rates, use of waste material as fuel, design changes for increased energy efficiency and lighting system upgrades.



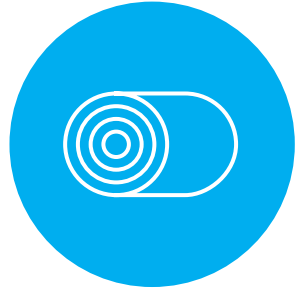
POLYMERS

The development and launch of a variety of sustainability products with quantified environmental benefits. A broad portfolio of polyolefins, based on renewable feedstock and certified through the International Sustainability & Carbon Certification Plus system (ISCC+), launched in Europe.



FERTILIZERS

For the past 10 years, Fertilizers has been offering seminars to farmers on optimum dosage of fertilizers in the field for increased efficiency. The program continued this year. SABIC also introduced a diesel additive to reduce nitrogen and sulfur oxide emissions.



METALS

SABIC's Metals business qualified several sustainability products, including: API X65 and X70 for sour applications; API Grades B, 42, 52 and 60 for non-sour applications; and cold-rolled galvanized coils for deep drawing applications.

SUSTAINABILITY GOVERNANCE

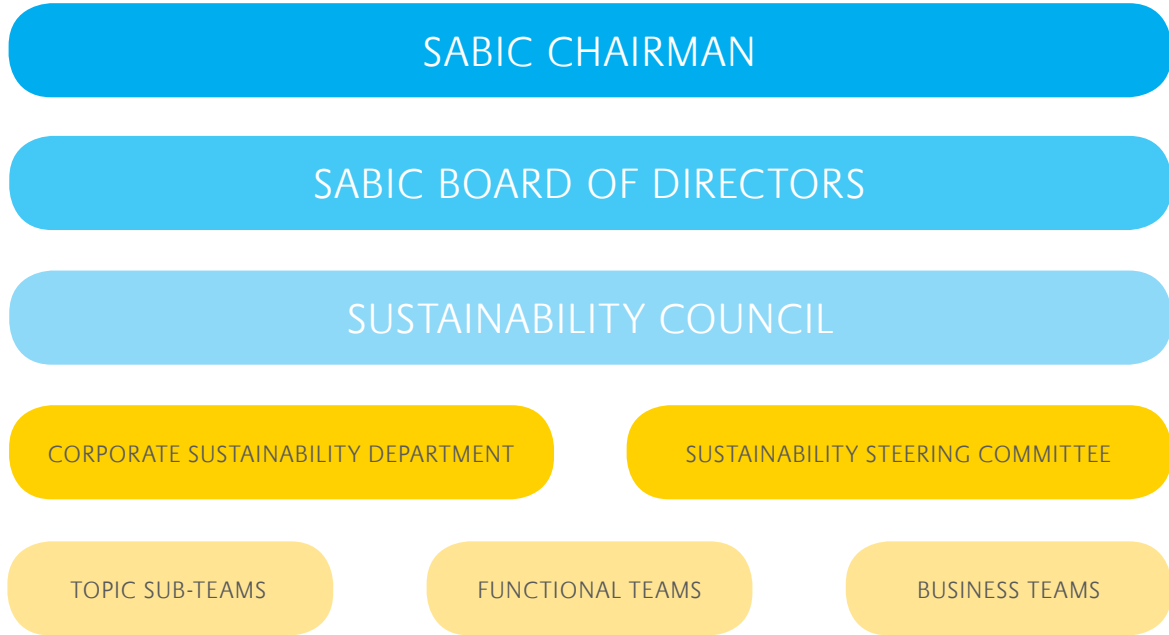
To ensure its success, the governance of our sustainability strategy is integrated and comprehensive. SABIC's Chief Executive Officer chairs our Sustainability Council, which includes executives from our six strategic business units and six corporate functions. As one of SABIC's executive sub-committees, the Sustainability Council is responsible for setting our sustainability vision, priorities and goals, and is accountable for our performance. It also authorizes approval of the Corporate Sustainability Department (CSD) and Steering Committee recommendations.

The CSD is comprised of employees who are dedicated full-time to sustainability and are responsible for designing and ensuring consistent processes and tools across all of SABIC. Their expertise in sustainability standards and trends means they lead opportunity identification and risk analysis across the value chain. They also represent SABIC in a variety of external organizations that focus on sustainability issues, ensuring sustainability is integrated and consistent throughout all our regions, business and functions.

The Steering Committee is led by the CSD General Manager and includes executives from all our strategic business units and corporate functions. It meets periodically to develop strategic recommendations for the council and to translate the council's decisions into action. SABIC's impact on the economic, environmental and social dimensions of sustainability is also influenced and supported by the actions of subcommittees.

Finally, a portion of executive compensation, for which our Executive Committees are eligible, is allocated according to performance against sustainability goals set by the council. This means our environmental, economic and societal impacts are fully integrated into SABIC's general business performance.

SABIC SUSTAINABILITY GOVERNANCE



ETHICS AND COMPLIANCE PROCESS

Our approach to ethics and compliance goes beyond fulfilling our legal obligations. Not only do we aim to meet multinational best practice standards, we expect each of our employees to perform their activities with the highest ethical standards, every day. Nurturing both our rigorous compliance program and the culture that supports it are essential to our ability to achieve our 2025 strategy.

The SABIC Code of Ethics forms the foundation of our compliance program and firmly embeds our culture of compliance into our daily business. Based on international best practices and legal standards, SABIC's Code of Ethics guides employees' behavior in working with customers, suppliers, government officials, colleagues and communities. We provide employees with the necessary tools and resources to prevent violations from the outset. One of these tools is a set of online compliance training courses that must be completed every two years.

In 2014, employees were offered 38 different online courses and achieved a completion rate of over 98 percent for the latest two-year cycle. Additionally, more than 2,000 employees participated in live round-table discussions on ways to enhance our compliance culture. Finally, we have a comprehensive governance structure, which creates a strict framework for our compliance activities. We have a Chief Compliance Counsel who manages our compliance program in close consultation with our General Counsel. They regularly report to the Risk and Compliance Committee of the Board of Directors and SABIC's Executive Committee.

COMPLIANCE HELPLINE

Another aspect of our organizational framework is our compliance helpline. Employees can report compliance concerns through over 65 helpline leaders worldwide or a variety of other sources: managers, Legal Affairs, Human Resources. In 2014, we fielded 117 compliance concerns on topics ranging from personnel management to the handling of company property.

We investigate all credible reports of suspected misconduct and confirmed violations are addressed with corrective actions, including employee discipline or dismissal. In 2014, there were 33 violations, resulting in eight counseling and coaching activities, 10 terminations, six verbal warnings, seven written warnings and two additional actions.

COMPLIANCE REVIEW PROCESS

Each of SABIC's strategic business units and corporate functions undergoes a thorough compliance review every three years to assess whether our controls are sufficient to minimize potential risks. In 2014, 39 business leaders participated in compliance reviews, which covered all of the employees and activities under them.

If we find inadequate controls, we develop mitigation plans. These may include procedural changes, new guidelines, training, or regular reminders and communications. Mitigation plans are tracked to completion.

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At SABIC, we have completed the building and implementation of all key structural elements of our compliance program framework. With that foundation built, we look to support the growth of our business and our 2025 strategy with uncompromising integrity. Our focus will turn to the less tangible, but even more essential, element of driving our compliance culture deeper into the basic fabric of our company.

In 2015, we will work with SABIC leadership to create an environment that helps our employees understand that the purpose of our program is to build a common set of beneficial and sustainable values; it is not just about creating and enforcing rules. We want all employees to understand that their active participation in our program is fundamental to the implementation of SABIC's 2025 strategic vision.

LAURIE GALLAGHER
CHIEF COMPLIANCE COUNSEL
SABIC

ANTI-CORRUPTION

As a manufacturing company, we rely on the ability to move our products across borders around the world each day. Eradicating corruption at points of entry is crucial to our business success. 2014 was an active year for SABIC's anti-corruption efforts.

SABIC participated in the Business 20 (B20) Summit in Sydney, Australia, in July 2014, and was a key member of the Anti-Corruption Working Group. SABIC was invited to speak at the summit as part of this working group, the focus of which was to make concrete, actionable endorsements to the governments of the world's 20 largest economies (G20).

Marking the visit of the B20 Australia's leadership to Saudi Arabia, The Council for Saudi Chambers of Commerce and Industry invited SABIC to present its anti-corruption program to representatives of Saudi business, academia, government and the National Anti-Corruption Commission (NAZAAH). We are pleased to be in a position to bring our experience with major global anti-corruption initiatives such as the B20 to Saudi Arabia and hope that we can spread best practices up and down the supply chain in Saudi Arabia and in the rest of the Gulf region.

SABIC also continued its involvement with the World Economic Forum's Partnering Against Corruption Initiative and joined the Pearl Initiative, an independent institution working across the Gulf region to influence and improve corporate accountability and transparency. Following best practice reporting standards for political finance, we did not make any political contributions in 2014.

It is, of course, important that we take the solutions we garner from participation in these external anti-corruption initiatives and implement them in our operations. A reflection of our success in achieving this can be seen in our ranking in the top quartile of Transparency International's 2014 report, "Transparency in Corporate Reporting: Assessing the World's Largest Companies."

EQUAL EMPLOYMENT AND HUMAN RIGHTS

We are a member of the United Nations Global Compact and are dedicated to creating and fostering a culture of respect and fair employment practices that prohibits all forms of illegal discrimination.

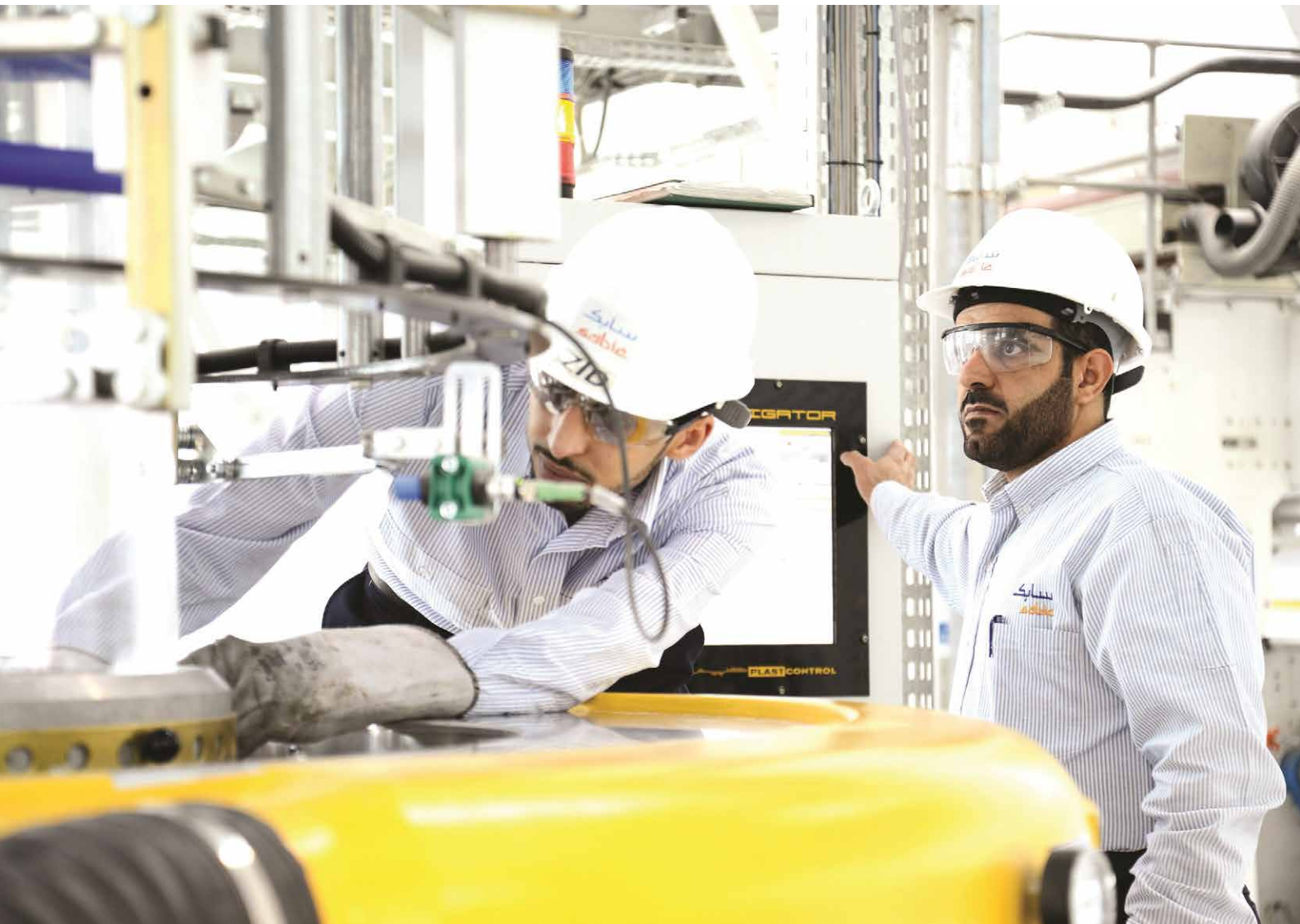
Our Fair Employment Practices Policy not only requires compliance with all labor and employment laws in each country where we employ people, but also sets a standard of behavior that respects all people. Finally, it requires that employment decisions are based upon capability, performance and other job-related criteria as consistent with local law.



SUSTAINABILITY PERFORMANCE SUMMARY

With sustainability in the foundation of our corporate strategy, our primary aim when reporting performance is to link business-process metrics to sustainability value creation and resource capital management. We compare our performance year on year so our stakeholders can see where we are making progress and how we are building a foundation for the future.

Additional performance metrics will be included as our sustainability journey matures in both scope and depth, and as we improve our focus on the processes that impact our material issues.



REPORT SECTION	INDICATOR	UNIT	2012	2013	2014
ETHICS AND INTEGRITY					
	Compliance concerns raised	Number	78	131	117
	Incidents closed	Number	78	129	106
	Violations found (addressed)	Number	36	54	42
	Training completion	Percent	99	97	98
CREATING ECONOMIC VALUE					
	Total Patent Portfolio	Number	8,882	9,791	10,640
	Sustainability Solutions	Cumulative number	27	32	45
	Innovation project sustainability assessments	Number	500	719	812
PROTECTING NATURAL CAPITAL					
	GHG emission intensity	MT CO ₂ eq/MT of product sales	1.34*	1.32*	1.28*
	Energy intensity	GJ/MT of product sales	18*	17*	17*
	Water intensity	m ³ /MT of product sales	2.9*	2.8*	2.7*
	Material loss intensity	MT/MT of product sales	0.11*	0.11*	0.10*
	Hazardous substance release	MT	46	200	2600*
	Flaring reduction since 2010	Percent	NA	30	49
	CO ₂ Utilization	Million MT	NA	2.5	2.7
PROTECTING AND DEVELOPING HUMAN CAPITAL					
Health, safety and environmental					
	EHSS rate ⁽¹⁾	Incidents/200,000 hours worked	0.96*	0.92*	0.69*
	Recordable incident rate	Incidents/200,000 hours worked	0.22*	0.17*	0.19*
	Occupational illness rate	Illnesses/200,000 hours worked	0.003	0.004	0.019*
	Fatalities	Number	4	0	0*
	Process safety incidents	Incidents/200,000 hours worked	0.04	0.02	0.02*
Women in the workplace					
	Global	Percent of workforce	7.9	7.9	7.8
Training effectiveness					
	Learner satisfaction	Goal 4.0	NA	4.2	4.4
	Learner gain	Goal 40	NA	48	55.4
BUILDING SOCIAL AND COMMUNITY RELATIONSHIPS					
Community giving					
	Total (includes corporate, affiliate, education)	Million US\$	NA	NA	32.7
Product safety					
	Product safety incidents	Number	NA	1	0

⁽¹⁾Note this is a severity weighted rating
* Assured by KPMG

ACCOUNTABILITY FOR GOALS

Our 2013 Sustainability Report indicated many opportunities for improvement over the short and long term. Below is an account of our actions in 2014 and how we expect to respond to them going forward.

HIGH PRIORITY ACTIONS	2014 STATUS	NEXT STEPS
SUSTAINABILITY STRATEGY AND VISION		
Develop new metrics for key processes and materiality areas	Priorities have been determined. New metrics assessed, specifically focused on supply chain, innovation and sustainability products. Six KPIs are proposed for implementation	Start implementation of KPIs in supply chain, procurement and strategic business units (SBUs)
Improve sustainability forecasting tools	Portfolio management tool developed, executed and rolled out	Further fine-tune portfolio quantitative assessments. Expand portfolio to include manufacturing and large capital projects
Integrate sustainability and financial reports	Sustainability report publication date closer to financial report, closer alignment with annual report content	Strive for publication date closer to financial report and additional content alignment between reports
Expand global engagement and collaboration	SABIC's Innovation Day enabled connection with governments, ministries and universities. Increased resources to provide better regional support	Continue stakeholder engagement. Sustainability resources will focus on both global and regional support, engagement and advocacy
Expand influence in Middle East	Examples include: Platinum sponsor of the Saudi Green Building Forum, sponsored World Environment Day in Jubail. Launched signature CSR programs on health and education. Strategic partners with Gulf Petrochemicals and Chemicals Association on sustainability initiatives	Launch Home of Innovation and participate in Pearl Initiative
CREATING ECONOMIC VALUE		
Qualify sustainability solution products	Achieved 13 qualified products. First solutions for Metals business	Continue qualification process. Produce a sustainability product brochure
Build sustainability technology portfolio	Second generation innovation portfolio implemented, includes assessments for three sustainability dimensions plus cost	Develop metric for conveying progress on the three dimensions of sustainability
Invest in innovation and breakthrough technologies	Opened innovation center in South Korea. Expanded patent portfolio to 10,640. Held Innovation Day in Riyadh	Home of Innovation opening
Supplier assessment process	Key suppliers acknowledged adherence to SABIC's Code of Ethics. New suppliers required to qualify based on regional requirements	Further expansion of the supplier qualification process including adherence to our Code of Ethics

HIGH PRIORITY ACTIONS	2014 STATUS	NEXT STEPS
PROTECTING NATURAL CAPITAL		
Capital investments to reduce footprint	Energy reduction from Olefins 4 in Geleen. Al-Bayroni CDM project starts up. Adjusted operations for increased methanol efficiency	SAFCO 5 integration with CO ₂ grid and utilization projects. Work on additional integration between sites
Expand to include Scope 3 Impact	Utilities estimate started	Focus on upstream/downstream supply chain and Saudi utilities
Broader application of Life-cycle assessment (LCA)	Embedded LCA in portfolio processes. Developed LCA game for internal engagement	Fully implement LCA in sustainability portfolio. Estimate corporate avoided emissions. Improve LCA game and use for engagement
Develop end-of-life solutions	Completed customer needs study	Increase innovation focus for products based on post-consumer recycle
By-product utilization and CO ₂ utilization	Avoided emissions and CO ₂ utilization metrics were introduced	Continue to increase cross-site integration for CO ₂ utilization. Apply synergy concept to other opportunities
DEVELOPING HUMAN CAPITAL		
Develop key performance indicators (KPIs) for human capital development	Developed and launched HR related strategic objectives and key initiatives, which will drive the KPI development process for elements of human capital development (HCD)	Develop sustainability HCD KPIs that are aligned with our strategic objectives
Expand training and track effectiveness	Training expanded to 614 skills and leadership training programs to 8,000 learners. Learner satisfaction and learner gain improved	Expand to meet business demands, further improve learning effectiveness and learners' experience
Build career development support	Supply chain career line rolled out, along with several others	Continue to develop additional career lines
BUILDING SOCIAL AND COMMUNITY RELATIONSHIPS		
Revise global CSR strategy	Completed development of SABIC's new RAISE strategy to maximize global CSR impact	Global roll-out of the RAISE strategy
Capture volunteer service in community	Individual offices tracked employee volunteer service	Establish global employee volunteer tracking as a component of the RAISE strategy
Develop sustainable chemistry program	Held training sessions in Riyadh and Jubail to introduce concepts	Introduce sustainable chemistry concepts in Europe, Asia, and the Americas
Implement global product stewardship management standards	Developed standards and began global implementation	Begin site audits in the Middle East, and complete implementation of standards to business and functional teams
Human rights and socio-economic assessments	Benchmarked methods for socio-economic assessment	Socio-economic impact study in Saudi planned. Progress toward incorporating social assessments for new sites, major expansions

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CREATING ECONOMIC VALUE



OUR APPROACH

At the heart of SABIC’s founding was the promise to produce value that would enable Saudi society to grow and flourish, and now that promise extends to many other countries. Our financial goal is to generate lasting economic value for our shareholders, but our business is closely linked to broader environmental and socio-economic success.

To grow and meet our stakeholders’ economic needs, we invest in people, customers and communities. We also devote significant capital to energy and environmental improvements for our existing manufacturing facilities and building advanced technology centers. These investments are making us more efficient, reducing operating costs and impacts to the environment.

We are focusing on creating value from innovation more strongly in this year’s report because it is a primary driver for economic value – developing highly efficient manufacturing processes and enabling sustainable market solutions. Integrating sustainability criteria into innovation processes at our global research and technology centers is catalyzing the pioneering solutions required to meet the sustainability challenges of the future.

Working closely with customers enables us to align our sustainability strategy with their internal goals while providing them with the solutions they need to succeed in the market. Embedding sustainability into our strategy maximizes economic benefit and provides maximum value throughout the value chain.

DELIVERING FINANCIAL VALUE

At SABIC, we know that the long-term health of our business requires not only the management of our economic capital, but also the management of our natural, social and human capital. Our 2025 strategy recognizes the interconnectivity between the financial value we create for our shareholders and value we create elsewhere in society. These connections inform both how we account for our performance and our strategy to create sustainable value for the future.



OUR PERFORMANCE

2014 HIGHLIGHTS

- Launched second-generation sustainability assessment methodology and process to build our portfolio of sustainability solutions
- Evaluated more than 800 projects for sustainability benefits and risks
- Qualified 13 new sustainability products
- Total patent portfolio expanded by 8.7 percent to 10,640
- Opened technology center in South Korea and signed strategic collaboration to drive innovation in China
- Held “Innovation Day” in Saudi Arabia to drive internal and external engagement on sustainability and innovation
- Increased research and development spending by 16 percent

US\$
6.2
NET INCOME
(BILLIONS)

US\$
50.2
SALES
(BILLIONS)

US\$
90.7
TOTAL ASSETS
(BILLIONS)

INVESTING IN INNOVATION FOR VALUE CREATION

SABIC has, in line with our 2025 strategy, invested in research capacity globally and now has five key geographies with innovation hubs – the USA, Europe, the Middle East, South East Asia, and North East Asia. During 2014, we increased our research and development budget by 16 percent.

Our staff of 2,000 scientists has built up a total of 10,640 patent portfolio filings, with innovations that range from innovative manufacturing processes to new product formulations. We also qualified 13 sustainability product solutions and evaluated 812 research projects for their sustainability impacts. By investing in the future, we are transforming our business by creating more differentiated and sustainable solutions for new and existing markets.

PERFORMANCE METRICS	2013	2014
Total patent portfolio filings	9,791	10,640
Sustainability solutions	32	45
Innovation project sustainability assessments	719	812

CASE STUDY

ELECTRONICS, ELECTRICAL AND LIGHTING TECHNOLOGY CENTER OPENED IN SOUTH KOREA

In March 2014, SABIC's Innovative Plastics business opened a new technology center in partnership with the prestigious Sungkyunkwan University (SKKU) in Suwon, South Korea.

With a focus on electronics, electrical and lighting science and technology, the center is home to some of the world's leading innovation experts in this area. The cutting edge technologies developed will be a key enabler of SABIC's strategy to continue helping its customers address their biggest challenges. These include delivering solutions that are thinner, stronger, and lighter and more energy efficient, with innovative designs and lower manufacturing costs.



The inauguration ceremony

INNOVATION PORTFOLIO AND SUSTAINABILITY IMPACT

During 2014, we implemented a second-generation sustainability assessment methodology in our pipeline project portfolio management (PPM) process that includes improved features. Guided by life-cycle assessment principles, the process evaluates the sustainability implications of business portfolio projects. The platform is helping to foster internal collaboration between technology, marketing, manufacturing and sustainability. Collaboration with value chain partners is often a vital element of sustainability projects.

SECOND-GENERATION SUSTAINABILITY ASSESSMENT

The updated assessment process integrates sustainability into research projects at each "stage gate". Evaluation takes a life-cycle approach, resulting in qualitative and quantitative impacts for each project. Assessment outputs are used to optimize sustainability impacts and the process is used to measure portfolio improvements.

The key features of the sustainability assessment include:

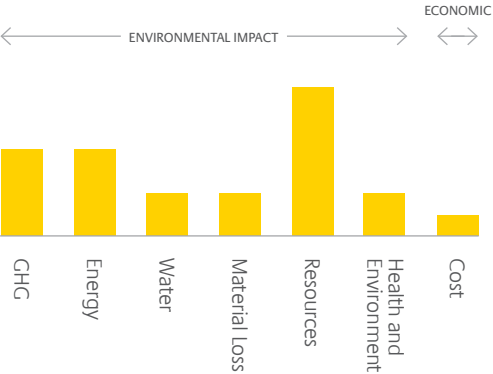
- Assessment of the sustainability impacts of research and development projects on the environment, society and economy
- Performance measurement in six areas: greenhouse gas (GHG) emissions, energy consumption, water use, material loss, resource use and health and environment. These are assessed across the product life cycle, from the raw material stage, to use and end of life
- Evaluation of potential CO₂ benefits – both utilization and emissions avoided throughout the value chain
- Analysis of impact from existing and emerging regulations and any applicable standards governing sustainability performance
- Quantification of environmental impacts on our own operations and in the product life cycle.

KEY COMPONENTS OF SECOND-GENERATION SUSTAINABILITY ASSESSMENT

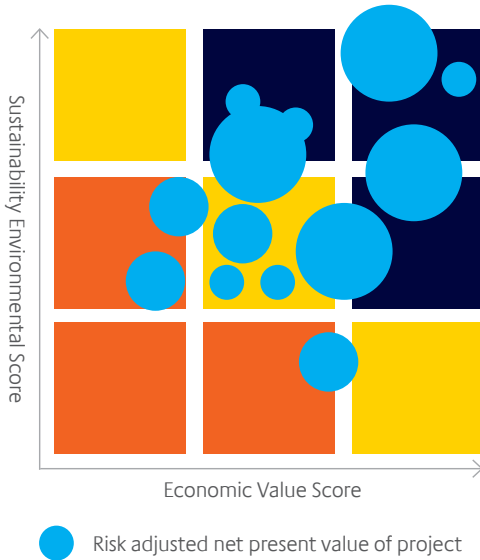
NUMERICAL



GRAPHICAL



NUMERICAL AND GRAPHICAL OUTPUTS



OPTIMIZING INNOVATION PORTFOLIO FOR MAXIMUM SUSTAINABILITY BENEFIT

CASE STUDY

ENGAGING EMPLOYEES, CUSTOMERS AND OTHER STAKEHOLDERS THROUGH DEDICATED “INNOVATION DAY”

During May 2014, SABIC welcomed professionals from a spectrum of technical fields and global locations to Riyadh to celebrate the company’s innovation progress, research and development, as well as its significant contributions to the petrochemicals industry.

The first “Innovation Day” involved government officials, key customers, business partners, universities, research experts, and media representatives in a “Gallery Walk.” The Gallery Walk depicted how our innovation translates from science to products in key customer segments, such as electrical and electronics, medical devices, transportation, packaging, construction, clean energy, and agri-nutrients.

Another part of the event was solely for SABIC employees who, using scientific posters, the Gallery Walk and a series of panel discussions, shared information about discoveries taking place throughout our worldwide research centers.



SABIC's Chairman, Prince Saud bin Abdullah bin Thenayan Al-Saud, attends a demonstration at Innovation Day

CASE STUDY

NEW STRATEGIC COLLABORATION IN CHINA

AGREEMENT SIGNED WITH CHINESE ACADEMY OF SCIENCES (CAS)

In September 2014, SABIC signed a new agreement with the Chinese Academy of Sciences (CAS) to cover joint research in the chemical and chemical engineering fields. The project aims to develop advanced technologies and solutions, allowing SABIC to bring to market the results of collaborative research.

In addition to research cooperation, the two organizations will work together in talent development and jointly sponsor an annual Scientific Forum on Frontiers of Chemistry and Chemical Engineering. The first such scientific forum was held in 2014 at the Dalian Institute of Chemical Physics (DICP).

COLLABORATION

We recognize that to succeed in our aspirations we need strong partnerships both within SABIC and externally. This means building a strong internal network as well as developing and maintaining healthy connections along the value chain and with leading academic institutions around the world.

This year, we engaged with some key external stakeholders to drive innovation and new approaches to improve sustainability performance.

Design is at the heart of a sustainable products pipeline and last year, we continued to develop the design for sustainability program for customer engagement. At the Royal College of Art in London, SABIC's experts and guest speakers spoke to 30 product developers and industrial designers about sustainable, competitive and innovative plastics technologies. Seventy-five percent of the audience believed sustainability gave them a competitive edge.

Internal collaboration and engagement is also critical for building a culture of sustainability and innovation. To foster this, we developed an interactive game based on life-cycle assessment that helps employees to understand and apply sustainability at work. Players can make choices throughout each life-cycle step of a car with the aim to build most cost effective and environmentally efficient car, and receive economic and environmental scores. More than 60 global manufacturing experts tried the game at last year's SABIC Technical Meeting (STM-11) in Jubail.



Ernesto Occhiello (left), Executive Vice President, Technology and Innovation, SABIC, and Ding Zhongli (right), Vice President of CAS and President of the University of Chinese Academy of Sciences (UCAS), signed the strategic collaboration agreement

CREATING VALUE THROUGH OUR PROCESSES AND PRODUCTS

By incorporating sustainability into our process and product development, we have taken a robust approach to creating economic value. We invest in emerging technologies that benefit the environment, society and the economy.

Process technologies increase productivity and efficiency in our manufacturing plants and product technology development enables better solutions through design, process and application development. This helps our customers to realize their own sustainability ambitions. Through actions to improve our supply chain processes, we optimize our networks and logistics to bring products to market as efficiently as possible.

Working on improving both processes and products allows us to maintain our leading edge in a competitive industry, securing positive effects on direct and indirect economic value creation, such as revenue growth and job creation, while supporting sustainable long-term growth.

Following are some examples that show how we are working to achieve our 2025 strategy and deliver economic value for SABIC and society.

DELIVERING OPERATIONAL PRODUCTIVITY AND EFFICIENCY GAINS

In all our manufacturing assets, SABIC continues to focus on designing and operating for maximum efficiency and reduced environmental impacts. The Protecting Natural Capital section of this report provides aggregated data on our performance for 2014, along with notable case examples that detail the efficiency benefits of our asset-upgrade investments around the globe. It also describes how multiple affiliates are working together to improve resource efficiency by sharing materials between sites, such as using waste CO₂ as a feedstock for other processes.

Operational efficiency projects are expected to have a significant impact on both our revenue and operating costs in addition to reduced CO₂ emissions. For example, flaring has been reduced by 48 percent since 2010 and energy intensity by seven percent. The economic benefit of these improvements is more than US\$100 million per year.

PRODUCING DIFFERENTIATED TECHNOLOGIES

In response to gas feedstock constraints, we are exploring the development of new, differentiated technologies, such as our Oil to Chemicals (OTC) project which is expected to comprise a unique configuration of unit operations that generates one of the world's highest yield conversion of oil to chemicals.

BRINGING IMPROVED CHEMICAL AND MATERIAL SOLUTIONS TO KEY CUSTOMER SEGMENTS

Our 2025 strategy identifies seven priority customer market segments. Included in this section is a summary of the latest sustainability solutions developed in a number of these segments during 2014. They are improving sustainability impacts and creating cost savings through energy, resource and material efficiency gains.

KEY MARKETS

TRANSPORTATION

SABIC offers a wide range of innovative materials that meet high safety standards while offering low weight for improved fuel efficiency in the transportation sector.

In 2014, we introduced a new high-performance polypropylene copolymer grade that offers superior processing characteristics while maintaining top-level resistance to mechanical impact. The invention allows vehicle component designers and manufacturers to reduce weight and save resources. Its many applications include car seats for children. This new grade allows up to 20 percent down-gauging compared to the existing market solution while meeting the industry's strict safety requirements. Life-cycle assessment (LCA) shows that this level of down-gauging results in similar reductions in energy consumption and CO₂ emissions.

SABIC, Kringlan Composites and other industry partners are working to further advance the development of the world's first thermoplastic composite wheel. Combining SABIC's high-performance ULTEM™ resin with Kringlan's proprietary three-dimensional manufacturing technology for carbon composites offers automotive manufacturers the opportunity for reduced weight, lower production costs, as well as material recyclability.



CASE STUDY

WORKING WITH FORD

SABIC collaborated with Ford® to help the automaker produce a front grille for the 2015 model Ford Taurus®.

Our product, LEXAN™ SLX2271T resin, can be directly injection-molded into class A Piano Black color, eliminating the need for additional painting and associated secondary operations. This saves on resource costs and volatile organic compound (VOC) emissions. It is the first Molded In Color (MIC) Piano Black A-Gloss mesh in this application and has the potential to be used in other ways.



PACKAGING

The global packaging industry is always looking for new environmentally responsible solutions to meet regulations and consumer demands. In 2014, SABIC announced the production of polyolefins made from renewable feedstocks, such as waste fats and oils. The new product portfolio has an equal product performance to the fossil fuel-based equivalent.

We worked closely with the International Sustainability and Carbon Certification (ISCC) organization to prove the sustainability of the new feedstock. Based on the cradle-to-gate LCA study⁽¹⁾, every kilogram of renewable diesel-based polyethylene resin can sequester up to 2.3 kilograms of CO₂ emissions and reduce fossil fuel depletion by 83 percent when compared to conventional feedstock (petroleum naphtha).

⁽¹⁾ This ISO 14040/14044 & PAS 2050 compliant LCA study underwent Critical Third Party Peer Review by Dr. Adisa Azapagic & team (University of Manchester).



CONSTRUCTION

In the building and construction industry, plastics are used as insulation in walls. In 2014, SABIC launched a new grade of polystyrene for use in the insulating foams of homes and offices built in the Middle East and Africa. An internal cradle-to-end-of-life LCA study comparing the new grade of foam with traditional insulation showed that users could benefit from up to 30 percent savings in energy consumption, which could reduce CO₂ emissions by 36 percent.

Beyond plastics, SABIC's Metals business reduces environmental impacts with its products. Our Direction Reduction Iron (DRI) process, used to produce our steel products in the Middle East, operates at considerably lower temperatures than traditional blast furnaces and relies on natural gas, a cleaner low-carbon feedstock, to reduce the use of iron ore. Based on a detailed internal LCA study, hot-rolled coils (HRCs) made from the DRI process result in 20 percent lower CO₂ emissions than HRCs made from best-in-class producers using the traditional blast furnace route.



MEDICAL DEVICES

SABIC produces many advanced materials that can be used to manufacture better medical products and result in healthier societies. Improved material properties can result in smaller, lighter, and more attractive devices that are easier for patients to use. New fiber products have outstanding qualities for applications with desirable chemistry for certain applications.



CLEAN ENERGY

SABIC materials are versatile and we are adapting our materials to support clean energy technologies to provide the power solutions of tomorrow. Lighter weight materials improve energy efficiency for all forms of transportation, and provide other benefits for new technologies such as a greater driving range for electrical vehicles.



AGRI-NUTRIENTS

Progress in agri-nutrients includes the launch of technical grade urea to reduce NOx emissions from vehicles and other combustion processes. SABIC already produces fertilizers that are designed for specific crops and growing locations, and our research and development efforts are making progress toward higher efficiency fertilizers, producing even more food from farm land with less environmental impact.

ELECTRICAL AND ELECTRONICS

Light emitting diode (LED) energy efficient lighting is emerging as a preferred technology for residences and businesses. In 2014, SABIC qualified LEXAN™ LUX Polycarbonate resins for LED reflector applications. These can deliver up to 97 percent reflectivity, which is higher than traditional reflectors made from stamped aluminum. This high reflectivity can increase energy efficiency by up to 10 percent and enhance light output. Manufacturers can produce the reflectors easily with a single-shot injection mold.

An internal LCA study on 30 Watt/3000 lumen LED commercial office luminaires made from polycarbonate resin and stamped aluminum reflectors shows that compared to aluminum reflectors, LEXAN™ resin reflectors result in as much as 10 percent lower CO₂ emissions and total energy demand across the life cycle of the luminaire.

SABIC is seeking to create value by focusing on emerging technologies to help drive profound changes in each of our market segments. An example that could be used in several markets is materials for 3D printing or additive manufacturing, which creates real objects from a computer model by depositing material only where required. These new technologies, while still evolving, could have a profound impact on manufacturing by giving designers more flexibility, reducing energy use and material waste and shortening time to market.



SUPPLY CHAIN OPTIMIZATION

Our global supply chain team is creating significant value for SABIC plus societal and environmental value by optimizing networks and logistics. This includes reducing lead times to boost our competitiveness in key markets. Further, supply chain initiatives can strengthen customer service and develop stakeholder relationships through collaborative packaging, shipping and delivery solutions.

The Portside Logistics Facility (PLF) in Jubail, commissioned in 2013, is bringing considerable value to SABIC. It has resulted in a four-day reduction in lead-time to Saudi ports, reduction in overflow warehouse requirements at our manufacturing affiliates and a 20 to 25 percent reduction in collection of empty containers from other ports.

Complementing the PLF, SABIC's Polymers business completed a pilot study to test an alternate logistics configuration in the Asia region. The pilot centers in Port Klang, Malaysia, and Nansha, China exceeded the expected 15 percent average cost savings (approximately US\$4.5 million) and gave SABIC's customers in Asia competitive service. The concept will be extended to Africa with projected annual saving of \$7.3 million.

Optimizing logistics is increasingly seen as essential for long-term profitability



LOOKING FORWARD

Growing our business to meet 2025 strategy goals will provide economic value, but our future success will depend on meeting the quickly changing needs of our markets, communities and other stakeholders. New business solutions will be needed to adapt to concerns such as climate change and resource scarcity.

Incorporating sustainability concepts into forward-looking investment decisions and technology innovation will be critical for enabling the company to transform our processes and products for the business conditions of the future.

With increasing volatility in the energy and materials markets, we must strive to develop viable new process technologies that facilitate leaps forward in efficiency and renewable technologies for our current manufacturing operations, and support efforts to transform alternative feedstocks into commercially viable products.

Engaging with our customers will help SABIC determine the right direction to take and provide greater opportunities to solve common challenges. We are using Home of Innovation™ – a SABIC initiative to create demand and promote downstream industry development in Saudi Arabia – and “Design for Sustainability” workshops in the Europe region for customer collaboration and technology partner identification.

Developing products and solutions that deliver sustainability needs in strategic markets, including the US, India and China, among others, accelerates the path to our 2025 goals.

An internal challenge is integrating sustainability into our business to the point where it impacts key strategic decisions. We made great strides in 2014 with further development of sustainability assessment methodology for our innovation pipeline. Our next steps are to integrate manufacturing and large capital projects into sustainability portfolio management.

Our greatest opportunity to create economic value is to efficiently produce innovative products, materials, and services that enable our customers and society as a whole to develop and grow in a more sustainable way.

“
ENGAGING WITH OUR CUSTOMERS WILL HELP SABIC DETERMINE THE RIGHT DIRECTION TO TAKE AND PROVIDE GREATER OPPORTUNITIES TO SOLVE COMMON CHALLENGES.

3

PROTECTING NATURAL CAPITAL



OUR APPROACH

SABIC depends on the availability of non-renewable resources – primarily hydrocarbon feedstock – for both raw materials and energy. Using these resources efficiently benefits our own company, our communities and customers. In the context of natural capital, we are concerned about efficient use of these precious resources as well as the environmental impacts of our operations and products.

Our approach to protecting natural capital is centered on our 2025 strategy's manufacturing footprint goals for greenhouse gases (GHG), energy, water and material loss. Achieving these goals will occur through improvements based on operational excellence, technological innovation, efficiency project execution and growth based on efficient technologies and design. Further, reducing our operational footprint will also result in products with improved life-cycle performance for our customers.

Reducing our GHG emissions is a specific focus area for both our products and processes. CO₂ utilization as a feedstock in our processes and avoided CO₂ emissions in the product value chain are metrics we use to drive overall impacts. Outside of our own operations, reductions in GHG emissions are driven through improved supply chain logistics and marine transportation fuel switching.

Our commitment to reducing our environmental footprint is matched by our focus on protection of the local environment around each of our operating sites. We concentrate our efforts on ensuring strong environmental management systems and driving progress on emissions metrics.

NATURAL CAPITAL MANAGEMENT

Our strategy for protecting natural capital has five focus areas.

- We start with intensity-based key performance indicators (KPIs) and related goals that are the responsibility of each manufacturing plant
- We follow an implementation framework that includes dashboards, periodic management reviews, technical assessments, benchmarking, and training
- We track our operational environmental impacts for all global manufacturing facilities on a quarterly basis. This allows us to respond quickly to operational changes
- We study our process operations for potential engineering upgrades and implement major investment projects that reduce both operational cost and environmental impact

– Finally, process technology improvement becomes critical to making the advances needed to meet our targets. We created a system to incorporate sustainability assessments into every technology development "stage gate".

NATURAL CAPITAL PERFORMANCE

In 2011, we established four intensity-based environmental KPIs: energy consumption, greenhouse gas (GHG) emissions, fresh water use and material loss⁽¹⁾. These are accompanied by ambitious 2025 strategy goals: to reduce our energy consumption, GHG emissions and water intensity by 25 percent and our material loss intensity by 50 percent. All intensities in this section are reported on unit per metric ton of product sales and compare levels in 2010 to 2014.

This year, we have made improvements across all four KPIs. This is the result of increases in production volume, changes in relative production rates for high versus low intensity plants (product mix), and some reductions in absolute environmental impacts. For example, we focused on plant reliability, ran our operations at higher capacity levels and undertook a number of investment projects to improve plant efficiency. Process flaring has been reduced by more than 49 percent since 2010, with substantial improvements in 2014 at our manufacturing affiliates, Hadeed and Ar-Razi.

Achieving our goals by 2025 will require continued process improvements, transformational investment projects and the development of breakthrough technologies. All these activities will also need to be accompanied by employee training and nurturing a culture of efficiency among the SABIC workforce.

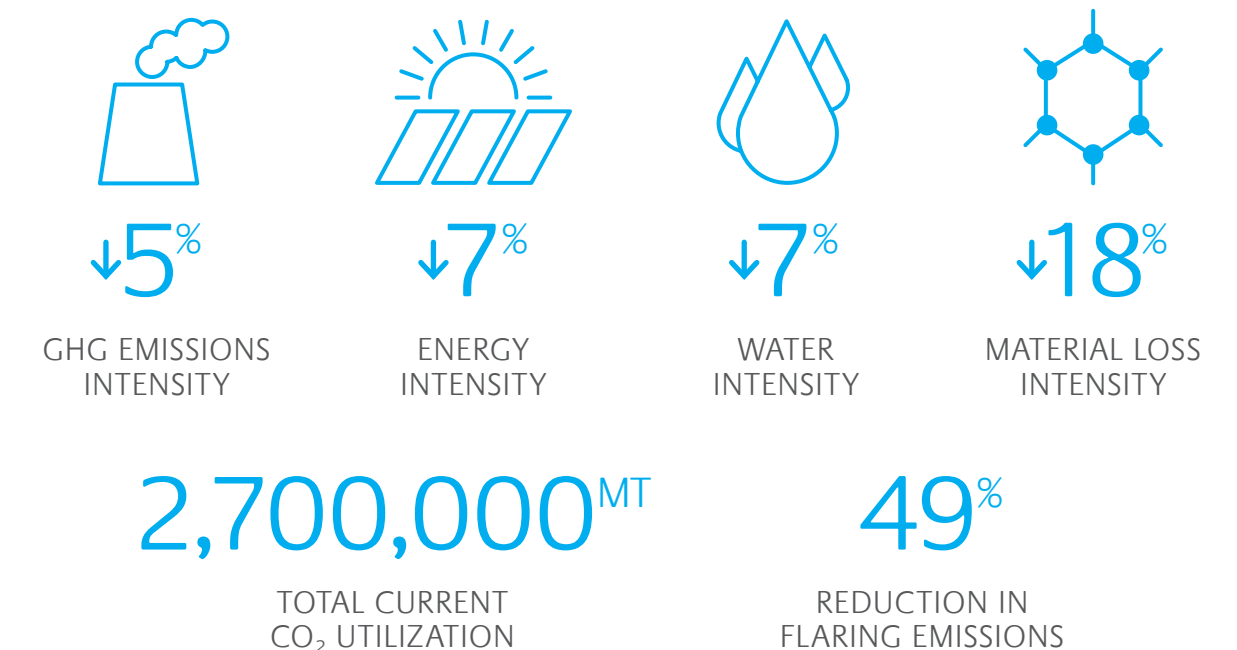
Every step we take towards the goals will ensure reduced operating costs and a lower environmental footprint to make our products. The overall result will be a more productive business and the positioning of SABIC as a preferred supplier to our customers through the delivery of more attractive and sustainable solutions.

OUR PERFORMANCE

2014 HIGHLIGHTS

- Flaring emissions reduced by 49 percent since 2010
- CO₂ utilization as a feedstock increased by 8 percent
- Jubail CO₂ capture and utilization project on target for 2015 completion
- Olefin 4 cracker upgrade brought a 8 percent reduction in energy use
- First Clean Development Mechanism project at SABIC will save 400,000 metric tons CO₂ equivalent over the project lifetime
- The most serious category of chemical release incidents fell from five to one

OPERATIONAL KPI REDUCTIONS SINCE BASE YEAR 2010



GREENHOUSE GAS

Our goal is to reduce greenhouse gas (GHG) intensity by 25 percent from 2010 levels by 2025.

GREENHOUSE GAS PERFORMANCE

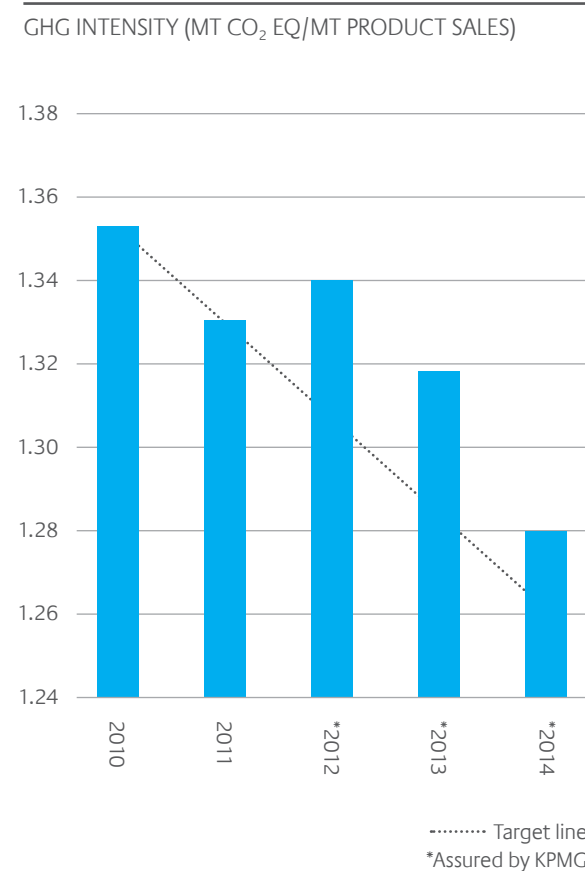
In 2014, our GHG intensity – measured in metric tons CO₂ equivalent (CO₂ EQ) per metric ton (MT) of product sales – fell three percent below 2013 and five percent lower than 2010, our base year. Absolute GHG emissions increased one percent compared to 2013 but are one percent lower than 2010.

The primary factors influencing the improvement in our 2014 GHG intensity performance were an increase in volume produced and sold, and the impact of SABIC's own GHG reduction initiatives. The latter includes energy efficiency projects and reduced flaring. Our GHG performance is closely linked to our energy performance, though other factors, such as lower CO₂ intensity feedstock, carbon capture projects and product mix changes, also have an impact.

In 2014, the United Nations approved a Clean Development Mechanism (CDM) project being implemented by SABIC's Al-Bayroni site in Jubail. The project will reduce our natural gas consumption by 15 percent and save over 400,000 MT CO₂ EQ during its project lifetime. This was the fifth CDM project ever approved in Saudi Arabia and we have a number of other CDM projects in the pipeline.

Looking ahead, two major investment projects – Mount Vernon, Indiana, co-generation and Jubail CO₂ capture – will have a significant impact on our GHG performance over the next three years.

Our Mount Vernon natural-gas powered co-generation unit (highlighted in our 2013 report) will produce the majority of both electricity and steam required by the site. It will reduce GHG emissions by 33 percent (467,000 MT) per year by replacing coal with natural gas and combined heat and power. The unit is on schedule for completion in 2017.



Our Jubail CO₂ capture and utilization project is a collaboration between multiple SABIC affiliates. The project will capture CO₂ from a United glycol manufacturing process and distribute the CO₂ into a network between several affiliates. The network will allow optimized use between multiple sites for the production of urea and methanol. In addition, SABIC's manufacturing affiliate, Gas, will purify a portion of the CO₂ for industrial-grade input into the food and beverage industry. Both the United and Gas projects are on track for mid-2015 completion and are projected to decrease emissions by up to 500,000 MT CO₂ per year.

Looking ahead, SABIC is in a strong position to achieve further GHG savings through carbon capture and utilization. We have a number of manufacturing units that produce highly concentrated CO₂, and other sites in the same manufacturing complex that are able to use CO₂ as a feedstock. For example, our recently commissioned SAFCO 5 project is expected to result in 960,000 MT CO₂ being converted into urea product.

We are also exploring other similar investments to increase our capture and reuse of CO₂ and CO₂ utilization was added as a metric to our sustainability product portfolio. In 2014, total CO₂ utilization across SABIC increased eight percent to 2.7 million MT per year.

GHG EMISSIONS BY SCOPE (MILLION MT CO₂ EQ)

	2010	2011	*2012	*2013	*2014
Scope 1	40	39	40	38	38
Scope 2	17	17	18	18	18
Total	57	57	57	55	56

GHG EMISSIONS BY TYPE (MILLION MT CO₂ EQ)

	2010	2011	*2012	*2013	*2014
CO ₂	56	56	57	55	56
CH ₄	0.1	0.1	0.1	0.1	0.1
N ₂ O	0.0	0.0	0.0	0.0	0.0
F-gases	0.3	0.3	0.4	0.3	0.3

*Assured by KPMG

GREENHOUSE GAS MANAGEMENT

GHG reduction is primarily accomplished through energy efficiency projects and will be enhanced by CO₂ utilization efforts.

SABIC will continue to play a leading role on tackling the subject of climate change in the Middle East through our sustainability reporting, operational improvements and engagements with stakeholders. We are basing our approach on assessment of our climate change risks and opportunities, and an awareness that climate change is an increasingly important factor in customer decision making. This is, of course, one very important reason why sustainability is positioned as a foundation element of our 2025 strategy.

ENERGY

Our goal is to reduce energy intensity by 25 percent from 2010 levels by 2025.

ENERGY PERFORMANCE

In 2014, our energy intensity – measured in gigajoules (GJ) per metric ton (MT) of product sales – fell three percent compared 2013 and seven percent below 2010, our base year. Total energy use increased to 741 million GJ in 2014 from 730 million GJ in 2013⁽¹⁾.

The primary factors influencing our 2014 energy intensity performance were an increase in sales volume and the positive impact of energy efficiency measures at all our plants. For example, cracker upgrades completed last year at our Olefins 4 plant at Geleen, the Netherlands, have resulted in better than expected energy efficiency gains in 2014. The upgrades achieved an eight percent reduction in energy use compared to previous years.

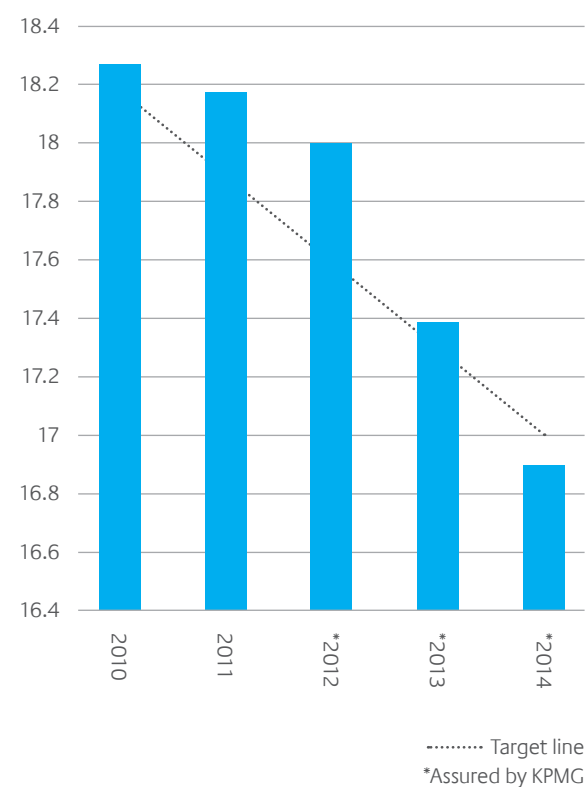
We also continue to benefit from boiler upgrades completed at our Al-Bayroni plant in Jubail, Saudi Arabia, which resulted in a nine percent reduction in energy use in 2014 compared to previous years.

ENERGY MANAGEMENT

Each of our sites has experts that pay close attention to our operational footprint. This year we trained 140 of these leaders in energy management and completed comprehensive energy opportunity assessments for our most significant sites. These site assessments resulted in a pipeline of energy improvement steps that we expect will help increase our energy efficiency performance over time.

A primary aspect of our energy management approach is our commitment to the Saudi Arabia government initiative, Saudi Energy Efficiency Program (SEEP). Using energy efficiency targets based on benchmark techniques, the program aims to improve the energy efficiency of the country in three main sectors – industry, buildings and transportation. Efficiency improvements realized through complying with SEEP will help meet our 2025 goals, increase competitiveness and decrease costs.

ENERGY INTENSITY (GJ/MT PRODUCT SALES)



At our manufacturing site in Mount Vernon, Indiana, USA we implemented extruder heater efficiency and insulation improvements that are expected to save over 31,000 GJ (6,000 MT CO₂) per year at the site. There will also be additional savings as the idea is translated globally. As a result of this project, the US National Pollution Prevention Roundtable awarded SABIC the "Most Valuable Pollution Prevention Award".

Also this year, our Ar-Razi manufacturing affiliate increased energy efficiency through ceasing production at one of our less efficient plants and increasing production at some of our more efficient plants.

WATER

Our goal is to reduce freshwater use intensity by 25 percent below 2010 levels by 2025. We have placed special priority on water-stressed areas.

WATER PERFORMANCE

In 2014 our freshwater intensity – measured in cubic meters (m³) per metric ton (MT) of product sales – reduced two percent compared to 2013 and seven percent lower than 2010, our base year. Our absolute freshwater use increased to 120 million m³ in 2014 from 118 million m³ in 2013⁽¹⁾.

Our water efficiency performance is closely linked with sales volumes. However, SABIC's own investments – including the execution of many relatively small actions and projects – can add up. As a result, we are implementing a strategic approach to maximize the impact of our efforts.

WATER MANAGEMENT

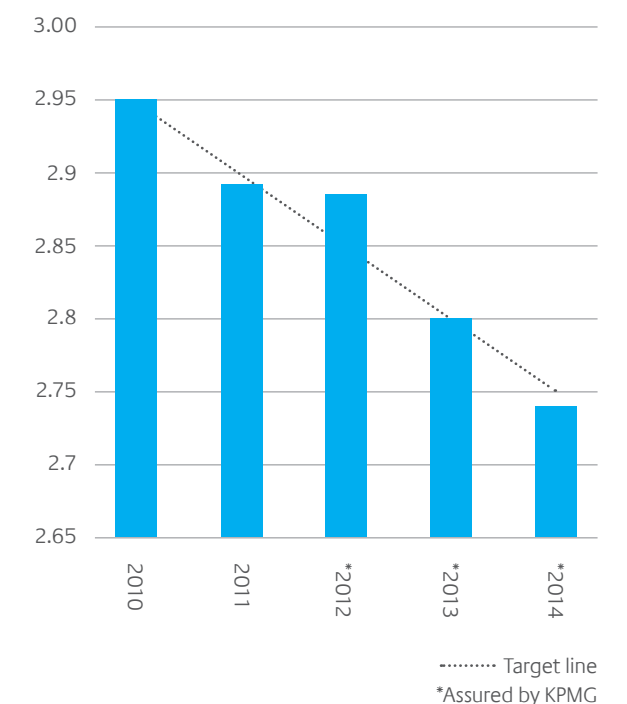
Our approach to water management has two dimensions: actions and investments are focused on increasing the water efficiency of our operations as well as increasing plant reliability (or "integrity") by preventing and repairing leaks.

Our Gas manufacturing affiliate installed a reverse osmosis (RO) unit to treat water from the air separation process, resulting into a 32 percent reduction in water consumption

A recycled process water project at our Burkhville, Alabama, USA, site has achieved a 2.6 percent reduction in water use, while a project to filter and reuse process water at our Vadodara, India site led to an 11 percent reduction. In addition, our United manufacturing affiliate's CO₂ capture project (described in the greenhouse gas performance section) will improve the water efficiency of that site by more than 13 percent.

Preventing leaks is also a major factor in improving water efficiency. For example, in 2014, our Ibn Zahr affiliate reduced its water consumption by four percent compared to the 2010 base year, thanks to a concerted effort to reduce water leakage through improved equipment integrity.

WATER INTENSITY (m³/MT PRODUCT SALES)



It is important to note that unlike GHG emissions, where the location of reduction has no impact on climate change, reducing water consumption is far more important in some of our operating regions than others. All of our sites have reduction targets, but water stress is a factor for prioritizing projects.

⁽¹⁾Footprint boundary and methodology details for our intensity based environmental KPIs are available online at <http://www.sabic.com/corporate/en/sustainability>.

MATERIAL LOSS

The majority of SABIC's raw material feedstock is non-renewable. This makes efficient resource use very important to our business. Our goal is to reduce material loss intensity by 50 percent from 2010 levels by 2025. We have defined material loss as the sum of process material losses to flaring, process vents, fugitive losses, hazardous and non-hazardous wastes, and process material lost to wastewater treatment.

MATERIAL LOSS PERFORMANCE

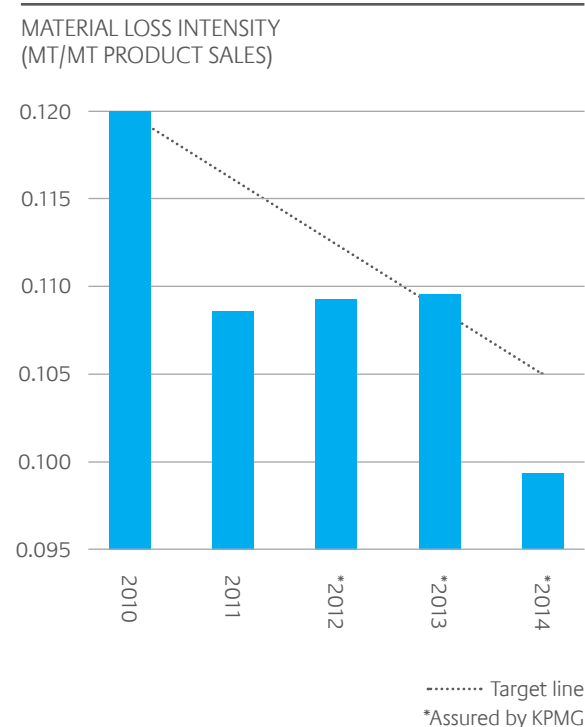
Due to reliability and operational improvements, our material loss intensity – measured in metric tons (MT) per metric ton of product sales – fell nine percent compared to 2013 and 18 percent less than 2010, our base year. Absolute material loss decreased to 4.3 million MT in 2014 from 4.6 million MT in 2013⁽¹⁾.

Flaring and venting are our areas of biggest opportunity for reducing materials loss; they are also where we have made the most progress.

Our flared material volumes have been reduced by approximately 49 percent since 2010. Projects and operational improvements at our manufacturing affiliates Hadeed, Petrokemya, Ar-Razi and Saudi Kayan all contributed significantly to this improvement.

Improved monitoring and leak detection at our Ibn Zahr affiliate has reduced flaring volumes by over 1,000 MT (1.84 percent) compared to the 2010 base year. A polymer compounding facility in Rayong, Thailand, used a recycling outlet for waste plastic that reduced total material loss at our facilities in the Asia region by 17 percent. In Cartagena, Spain, our site has converted waste tar into a fuel, reducing losses by two percent.

Some of the most important vent reduction impacts will be from CO₂ utilization, which improves overall carbon efficiency through integration between sites. We will be focusing on identifying additional such synergy projects to accelerate material efficiency.



MATERIAL LOSS MANAGEMENT

Improvements in our material loss performance directly impact SABIC's economic performance. Not only can it make additional material available for production elsewhere, it can also reduce our waste disposal costs.

Our optimization efforts include pushing for higher process yields and reducing losses from our current operations; maximizing use of post-industrial recycled materials; redefining wastes as raw materials; and looking for ways to integrate material streams between our plants.

ENVIRONMENTAL RELEASES

Our commitment to reducing our environmental footprint is matched by a strong focus on the protection of the local environment around each of our operating sites and along our transportation routes. We take any unexpected release of hazardous substances from our operations very seriously. We record all significant releases in three classes (from A for most severe to C for least severe) and are working towards a goal of eliminating all hazardous substance releases and minimizing all other emissions to the environment.

ENVIRONMENTAL EMISSIONS PERFORMANCE

Our improved performance on environmental release incidents in 2013 was continued in 2014 and we were able to reduce the number of hazardous substance chemical release incidents to 45, down from 50 in 2013. A significant achievement in 2014 was a decrease in the number of the most serious Class A incidents from five to one.

However, even the occurrence of one single Class A incident is not in line with our goal, especially as the quantity released during this year's Class A incident was 2,600 MT – compared to 200 MT from the five Class A incidents in 2013. The release was contained within the tank's dike area.

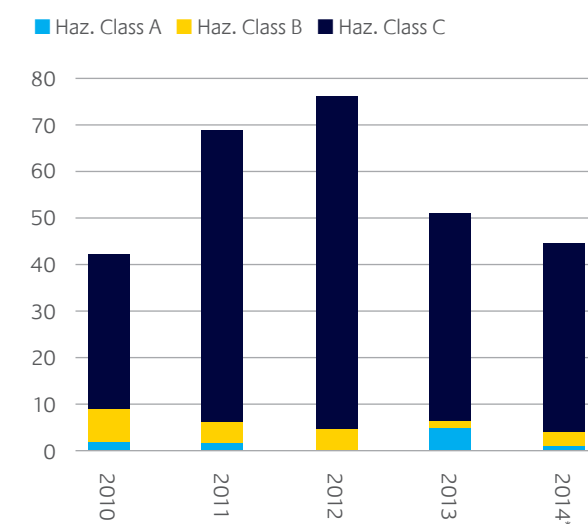
ENVIRONMENTAL EMISSIONS MANAGEMENT

Following our investigation of this year's Class A incident – as well as the less severe Class B and Class C incidents – we have identified a number of improvements to be made. These are part of our continued striving towards a reduction in both the overall number of release occurrences and their magnitude.

For example, we have sought to increase the awareness and alertness of our employees and have established robust programs to follow up on near misses and very small spills. This appears to have had a positive effect on the total number of reports of near misses and smaller episodes, which increased by 15 percent from 2013. We follow up on all near misses and smaller incidents to improve our overall culture of safety.

This year, we also revised the environmental requirements of our management standards to include more global best practices. We expect this to have a positive effect on the number of incidents in 2015.

TOTAL NUMBER OF HAZARDOUS-SUBSTANCE CHEMICAL-RELEASE INCIDENTS



*Assured by KPMG

In 2011 we reduced the threshold for reporting Class C hazardous spills by 90 percent, from 1,000kg to 100kg. Our aim in making this change was to challenge ourselves for continuous improvement.

Incident Severity:
Class A Major
Class B Significant
Class C Minor

⁽¹⁾Footprint boundary and methodology details for our intensity based environmental KPIs are available online at <http://www.sabic.com/corporate/en/sustainability>.

SUPPLY CHAIN IMPACTS

The environmental footprint of our global supply chain is not directly measured as part of our operations. However, this year SABIC made progress in measuring emissions associated with logistics and in reducing its global environmental impact.

In 2014, SABIC's supply chain team built on strategic programs such as the Environmental Protection Agency's SmartWay® partnership to achieve a further reduction of 11 percent in GHG intensity in the US. This includes the efficiency impact from an effective doubling of the package volume shipped over rail.

In November 2014, our Chemicals business launched the world's first low emission Liquid Natural Gas (LNG) carriers to cut the environmental impact of chemical transport. This drastically cut both SOx and NOx emissions compared to the vessels they are replacing. The new ships, with a cargo capacity of 4,800 cubic meters, will reduce NOx emissions by over 85 percent. SOx and soot particles will be reduced by nearly 100 percent and CO₂ by 20 percent compared to previous ships.

“As a responsible global company, SABIC is committed to providing high-quality products to its customers while doing all it reasonably can in order to reduce the environmental impact of its operations. We are proud to be the first chemical company in the world to be transporting our products on carriers running on LNG and to have an innovative partner in Anthony Veder.

WOUTER VERMIJS
EUROPEAN SUPPLY CHAIN
DIRECTOR OF CHEMICALS
SABIC



LOOKING FORWARD

We expect to continue focus on our four operational KPIs, strong environmental management systems, and supply chain GHG emissions. We must build on the foundation of our progress and accelerate our rate of improvement in four areas: operational excellence, innovation, investment, and value chain solutions.

Operational excellence requires investing in human capital to improve the understanding and diligence that results in production or delivering goods with the least impact to the environment. Improvements in operational reliability and capacity helped drive progress this year and those levels must be improved even further.

Investments in our current operations and efficient designs must be incorporated into new facilities. For example, steps to meet energy-efficiency requirements in Saudi Arabia are an opportunity for applying efficient new process designs and technologies, and integration between sites will minimize investment and operating cost. As some current operations reach their maximum capability, investments will need to be channeled to sites with the best return on investment for both economic and natural capital.

Continuing to improve our manufacturing yield and reliability through technology and process innovation is critical if we are to meet our ambitious environmental footprint reduction goals. Considering sustainability concepts at every project gate will result in our technologists making more sustainable choices that will play a critical role in building our sustainability portfolio. For example, innovative thinking is needed to identify opportunities such as turning waste into products and increasing integration between sites. This is especially relevant to our Jubail and Yanbu complexes that are co-located with multiple other industries.

Managing our operational footprint is certainly important, yet many chemical products provide sustainability benefits in the use phase that outweigh their impacts during production. Developing products with value chain benefits, such as reducing automotive emissions by using lighter weight materials, will help to reduce overall natural capital impacts. As a result, SABIC has instituted programs and metrics to drive development of more products that have natural capital benefits across the product life cycle.

“CONTINUING TO IMPROVE OUR MANUFACTURING YIELD AND RELIABILITY THROUGH TECHNOLOGY AND PROCESS INNOVATION IS CRITICAL IF WE ARE TO MEET OUR AMBITIOUS ENVIRONMENTAL FOOTPRINT REDUCTION GOALS.

4

DEVELOPING AND PROTECTING HUMAN CAPITAL



OUR APPROACH

People are the cornerstone of SABIC's business success. This is why talent development, along with sustainability, is a foundational element of our ambitious 2025 strategy. Building a strong and capable workforce enables us to deliver differentiated products and services to customers today while preparing to meet the needs of tomorrow.

Transforming our people and organization to be even more market-driven, innovation-focused and performance-based is a priority for SABIC all over the world. We invest in our employees and offer incentives to top performers. We encourage our staff to take part in external and internal educational programs and build their capabilities with on-the-job training and individual mentoring. By investing in talent, we are developing the people who can lead us to even more success.

We believe attracting and retaining top talent and building a diverse workforce are key elements to creating the strong community of employees that will prepare our business to meet future challenges.

Underlying our focus on human capital is a continued emphasis on environmental health, safety, and security (EHSS). A strong EHSS culture and a safe, secure workplace allows our people to focus on personal and career development, and drive business success. We strive to go beyond compliance, exceeding global environmental, health and safety standards.



FAHAD AL-SHEABI
EXECUTIVE VICE PRESIDENT
CORPORATE HUMAN RESOURCES
SABIC

“
BY INVESTING IN TALENT,
WE ARE DEVELOPING THE
PEOPLE WHO CAN LEAD
US TO EVEN MORE SUCCESS.”

OUR PERFORMANCE

2014 HIGHLIGHTS

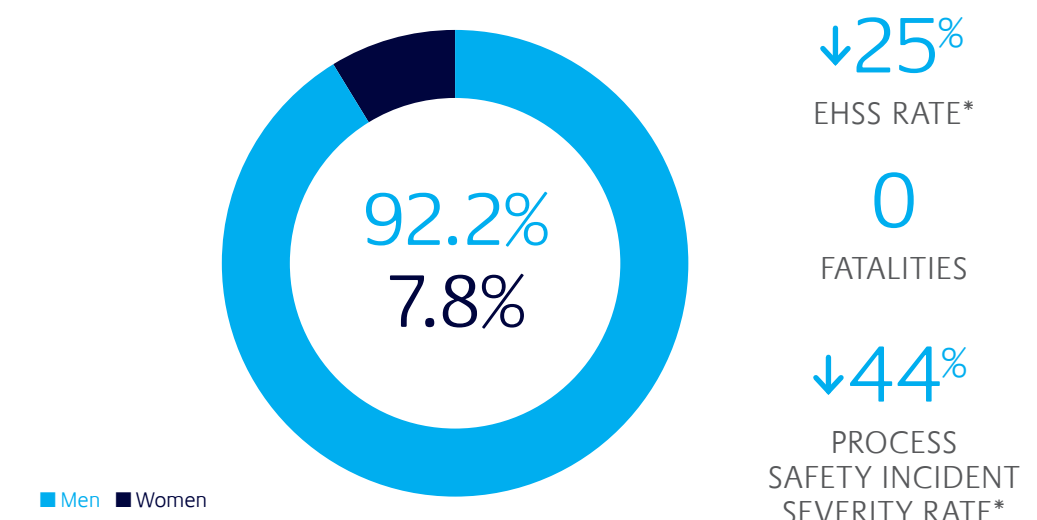
HUMAN RESOURCE DEVELOPMENT

- Provided 614 professional development courses to over 8,000 employees in addition to executive programs
- Developing a total of 12 career lines, accompanied by individualized professional development strategies
- 1,350 leaders created specific action plans in response to our worldwide employee survey
- Hired first female employees at Jubail and Yanbu locations

EHSS

- 25 percent improvement in EHSS rate over 2013, our best annual performance to date
- Completed Responsible Care® certification for all chemical operations worldwide

PERCENTAGE OF WORKFORCE BY GENDER



*Change since 2013

PERFORMANCE CULTURE

An engaged and dynamic workforce is key to a successful, sustainable business. However success also requires a culture of high expectations, meritocracy, and support for ambitious employees.

Our aim is to instill the SABIC leadership imperatives – market focus, innovation, globalization, performance culture and empowerment – throughout our community of employees. Getting staff of all levels involved in decision making and listening to their views is empowering; it inspires them to engage, create and deliver. These values are at the core of our business and transformation.

As described in our 2013 Sustainability Report, our performance culture is enhanced by an annual talent review process, which includes individual performance feedback and development planning for our professional workforce.

After our global employee survey in 2013, SABIC completed an extensive campaign starting with a global town hall meeting led by our Chief Executive Officer. The aim was to communicate the survey results and highlight areas of focus. The survey led to feedback for 1,580 leaders, involving career development opportunities, performance practices, innovation, communication and empowerment.

To further improve our performance culture, SABIC's board approved an annual incentive plan that will be rolled out globally starting this year. The program will reward high-performing employees.

DEVELOPING OUR PEOPLE

Talent development for our global workforce is of central importance for both individual and corporate performance.

Our talent development uses an integrated approach with a strong focus on professional and cross-functional development. Human Resources (HR) works closely with strategic business units and corporate functions to understand the core competencies employees want and need.

A key component is “career lines” – ordered pathways for individual professional development. These lines identify competencies for each step and are helping thousands of employees to advance into senior roles. Three career lines were rolled out in 2013, and an additional three in 2014. The remaining six are in the development phase.

Another key focus in 2014 was programs to fill gaps identified in the career development process and therefore unlock the full potential of our growing workforce. An enabler of learning and development success is our “SABIC teach SABIC” approach, which encourages employees to share their expertise. We have a particular emphasis on coaching new managers

and executives, including executive coaching and an integration program that supports new executives through their first months in the role. Our Executive MBA Program and CEO Leadership Challenge Program are both in their second year. The latter gathers potential SABIC leaders from around the globe, provides them with access to external thought influencers and immerses them in a high-caliber learning environment.

In evaluating progress on our learning and development goals, we are pleased to report another year of strong performance: our 614 skills and leadership training programs engaged over 8,000 SABIC learners. The tables below demonstrate that we surpassed our Kirkpatrick-level metrics goals in the areas of learner satisfaction and learning gain during 2014.

“Over the past five years, we have made tremendous progress towards our ambition to be a world-class leader in Human Resources. 2014 was a transformational year as we integrated performance management with other areas such as compensation, career development and strategic workforce planning.

Through strong leadership commitment, we also made great strides in creating a performance culture where employees and managers are able to more effectively grow their careers while improving SABIC's overall business performance. The integration and on-going cultural transformation will enable SABIC to have a sustainable, competitive advantage in attracting and retaining the best talent globally.

It is rewarding to be part of a company that values human capital and understands the critical link between our talent and our overall business strategy. SABIC's commitment to recognizing and planning for the high growth it needs in its workforce also reinforces its focus on the sustainability efforts that are required to achieve our future aspirations.

BETHANY JONES
AMERICAS REGIONAL
TALENT MANAGEMENT LEADER
SABIC

BUILDING OUR WORKFORCE

Our global workforce is our most vital resource to create a competitive advantage and support our growth and transformation. With approximately 85 nationalities in over 290 locations worldwide, SABIC's workforce is diverse. This variety helps foster innovation and adds to our appeal.

Gender is another important part of diversity. SABIC's percentage of female employees fell slightly in 2014 – 7.8 percent compared to 7.9 percent last year. Despite this, female employment in Asia increased and we continued to make opportunities in the Middle East.

After hiring our first Saudi women in Riyadh last year, in 2014 new female recruits joined our offices in Jubail and Yanbu, bringing the total number of Saudi women employees to 48. We also selected 11 female college students to start four-month internships in Riyadh in 2015.

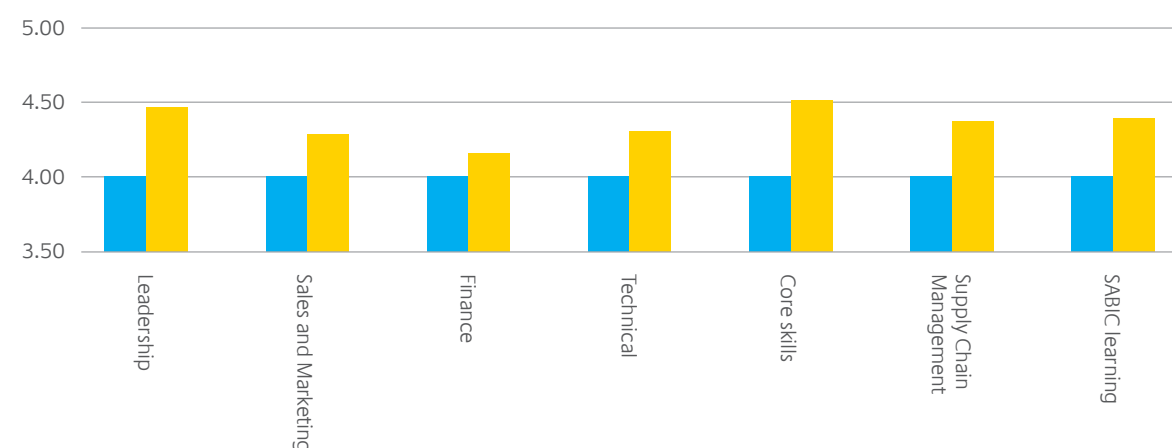
SABIC Women's Network (SWN) facilitates women's professional development, with regional chapters providing opportunities for women to engage with senior colleagues and enhance their professional exposure. The SABIC Academy hosted the first Middle East SWN event in 2014.

Another major part of securing a healthy, positive culture at SABIC is in selecting employees with the right mindset. Our Interviewer Qualification Program provides a globally consistent, legally compliant, structured interview and selection process to ensure we identify and hire top talent.

To support integration and development, we began offering a structured Early Career Program (ECP) to new employees. An executive summary of the 2013 Sustainability Report was developed to enable recruits, new hires and others to understand our sustainability commitments.

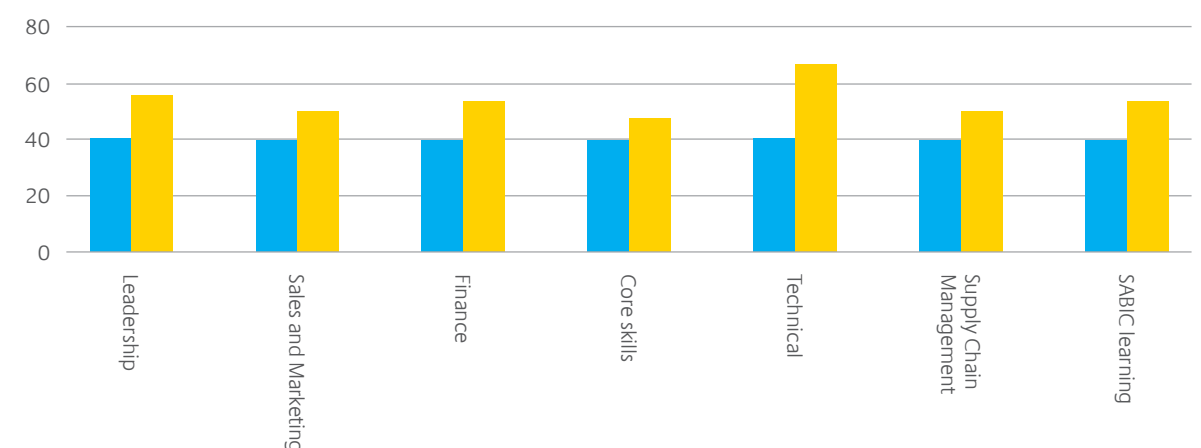
LEARNER SATISFACTION

■ Goal ■ Actual Learner satisfaction rating (scale of 1-5, 5 being highest)



LEARNING GAIN

■ Goal ■ Actual % new knowledge gained from training



SUPPLY CHAIN DEVELOPMENT PROGRAM

In 2013, SABIC's supply chain leadership and HR talent management teams made a commitment to building and launching a world-class supply chain career and competency program. It consists of an early career program, functional competency model, and career path guidelines. The early career program was launched on 16 March 2014 and is now operational in Saudi Arabia, China, Singapore and America. The functional career path and guidelines were rolled out in 2014 to the global supply chain community of more than 1,100 employees.

In 2014, SABIC's Corporate Sustainability Department (CSD) and the Global Supply Chain Center of Excellence (GSC CoE) worked in association with the University of Cambridge's Institute for Sustainable Leadership on a structured approach to define supply chain sustainability ambition and goals. Our vision is to be a leader in supply chain sustainability, extending our Code of Ethics to suppliers and securing the carbon footprint reduction of our logistic services.

The approach will be further developed in 2015, with the expectation of rolling out key initiatives to global raw materials and logistic services suppliers and developing metrics to measure progress.

As part of a continuing partnership with Pennsylvania State University, SABIC's Chemicals business, SABIC Academy, and GSC CoE launched an ambitious applied learning program for employees focused on improving product delivery and service to China from Saudi Arabia. It identifies efficiency gains across the value chain, multiple functions and geographies.

“The Supply Chain Development Program is an example of continuous business improvement, while training our employees on key competencies, all of which are key to meeting the needs for the future generations of SABIC.

FRANK CLAUS
GENERAL MANAGER
GLOBAL SUPPLY CHAIN CENTER OF EXCELLENCE
SABIC



A development course at the SABIC Academy in Riyadh.

ENVIRONMENT, HEALTH, SAFETY AND SECURITY (EHSS)

Given our position in the chemicals industry, with its high-energy processes, complex engineering challenges and chemical hazards, it is critical to build and maintain a strong culture of safety. We believe that a comprehensive EHSS program, consisting of strong leadership, effective management systems, and smart metrics and goals that guide continuous improvement, are crucial. We need leadership and a culture of safety that goes well beyond compliance to meet our own high standards.

EHSS PERFORMANCE TRACKING

We strive for continuous improvement in minimizing the number and severity of incidents, and aim to achieve an EHSS rate (referred to as the SHER rate in previous reports) of 0.25 by the year 2025. We made good progress towards this goal in 2014 with sharp reductions in both the total number and severity of incidents.

Our overall EHSS rate for 2014 was our best annual performance to date, 25 percent better than 2013, and all regions improved. Europe led the way with a 70 percent reduction. While we are very proud of this accomplishment, we acknowledge that it did not meet our ambitious internal target of achieving a rate of 0.67 by 2014.

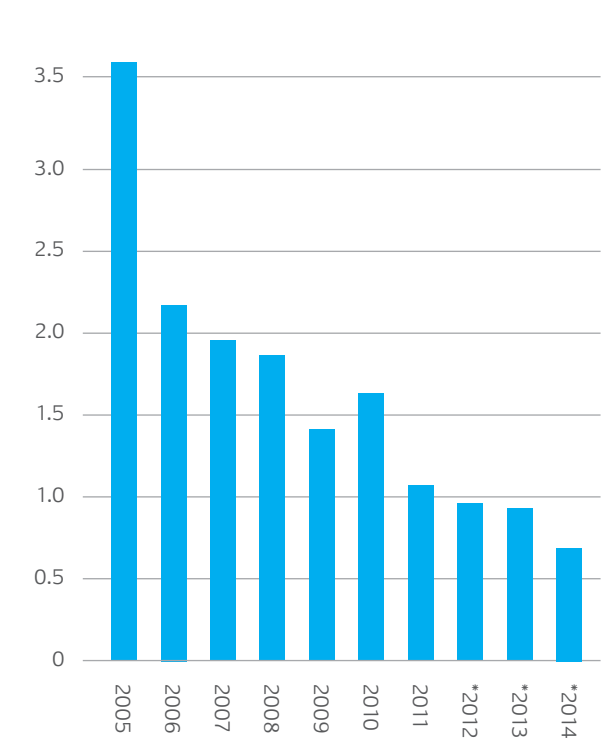
IMPROVING OUR PERFORMANCE

In 2014, nearly all SABIC employees underwent training to understand the importance of keeping our people safe and healthy through implementation of SHEMS. These trainings strengthened our Environment, Health, Safety and Security culture by including business sites and non-manufacturing functions.

We improved our data gathering and visibility on a number of leading key performance indicators (KPIs). In certain areas, we are moving from lagging indicators (post-incident) to leading indicators (pre-incident) to measure how employees are achieving EHSS excellence by preventing incidents before they occur.

One example is SABIC's Mechanical Integrity Index (MII), a metric which tracks compliance on test and inspection schedules. By calculating the number of critical inspections conducted over the course of a year divided by the number scheduled, we gain visibility to potential incident areas. Other examples of these indicators include process hazard analysis (PHA) studies, emergency response drills and evaluation of waste generation per unit of production volume. These types of KPIs improve SABIC's ability to steer EHSS performance proactively in our continued operations.

EHSS RATE TREND FROM 2005 TO 2014



*Assured by KPMG

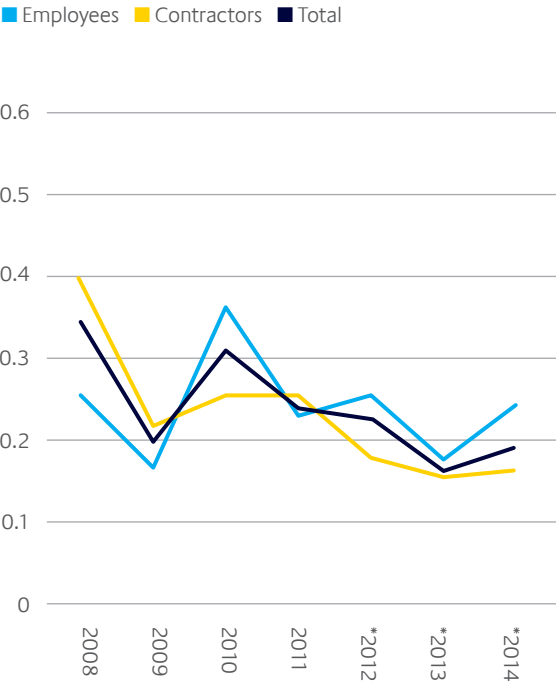
OUR RESPONSIBLE CARE® COMMITMENT

SABIC continues to meet our commitments as a Responsible Care® company and strive for continuous improvement. Responsible Care is a global chemical industry initiative to improve health and environmental performance, enhance security, and strengthen communication with stakeholders about products and processes.

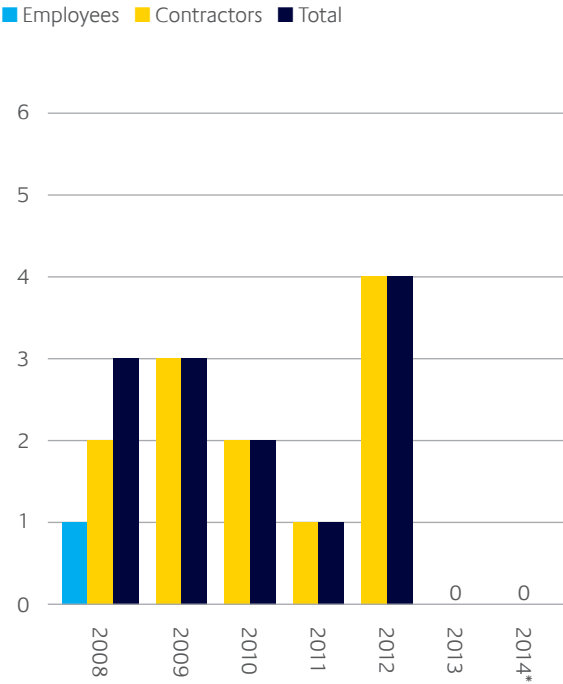
Beyond the core elements of Responsible Care, SABIC has committed to implementing RC14001® certification across its global chemical operations. Certification strengthens SABIC's EHSS management system through achieving stringent standards for environmental management, health and safety, security, transportation, outreach, and emergency response.

Sites in Mexico achieved certification in 2010, followed by the United States and our first sites in the Middle East and Africa in 2013. In 2014, our remaining sites in the Middle East, Africa and Europe were certified. SABIC has led bringing RC14001 standards to the Middle East and through our membership in the Gulf Petrochemicals and Chemicals Association (GPCA), we will continue this regional leadership role.

TOTAL RECORDABLE INCIDENT RATE (INJURIES & ILLNESSES) PER 200,000 HRS



NUMBER OF FATALITIES



*Assured by KPMG

MANAGING EHSS RISKS

In 2013, we reported that 100 percent of our sites are now operating the SAFER program (SABIC Assurance for EHSS Risks), which provides a systematic approach to identify, assess, record, and mitigate risks.

In 2014, our process safety incident severity rate (PSISR) and fatal incidents remained at low levels for both employees and contractors. We had no fatalities in 2014 and the PSTIR remained at the low rate of 0.02 incidents per 200,000 hours worked. The recordable incident rate and occupational illness rate both increased slightly in 2014.

PROCESS SAFETY AND SECURITY INCIDENTS

	2011	2012	2013	2014
Process Safety Total Incident Rate (PSTIR)	0.03	0.04	0.02	0.02*
Process Safety Incident Severity Rate (PSISR)	0.14	0.14	0.14	0.08
Security Incident Rate (SIR)	0	0.009	0.002	0.001

*Assured by KPMG





LOOKING FORWARD

SABIC is a large, complex global business with ambitious growth plans. Sustaining and extending our business depends on attracting, retaining and developing highly talented people in a culture that rewards performance and commitment to working together for business success.

We will continue to recruit, retain, and train new talent, and prepare them for challenging roles. Gender diversity will remain a challenge, but will be helped by initiatives such as the female intern pilot program and SWN. The global performance incentive plan will strengthen meritocracy.

Developing our human capital is only possible in a healthy, safe and secure environment, which is why we have worked hard to not only ensure our EHSS management systems exceed global levels of best practice but that we embed a safety culture in all our operations.

Sustainable business performance is about the development of human capital. We want our employees to understand their role in the company and how they can make positive contributions to SABIC that will result in their career development and a more successful, sustainable organization.

Excellent people are essential, and achieving our ambitions for 2025 and beyond will require every team member to adopt an attitude that SABIC employees are “People Who Can”.

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WE WANT OUR EMPLOYEES TO UNDERSTAND THEIR ROLE IN THE COMPANY AND HOW THEY CAN MAKE POSITIVE CONTRIBUTIONS TO SABIC THAT WILL RESULT IN THEIR CAREER DEVELOPMENT AND A MORE SUCCESSFUL, SUSTAINABLE ORGANIZATION.

5

BUILDING SOCIAL AND COMMUNITY RELATIONSHIPS



OUR APPROACH

SABIC, like all businesses, is connected with its value chain and external stakeholders in complex and intricate ways. Building and nurturing effective stakeholder relationships helps form the foundation of our license to operate and our future business growth. Sustainability is a major element of these interactions and creating collaborative solutions around common challenges benefits all members of the SABIC community.

Safety is our first priority, as was highlighted in the previous section through our commitments to employee health and safety and Responsible Care®. The long-term success of our global relationships relies on our ability to safeguard the communities where we operate; people on the roads and transportation routes for our materials; and consumers in the use and application of our products.

Building close ties with and supporting safe, healthy, prosperous, and resilient communities is important to our business success. Through employment, education of our employees, economic stimulation from our business activities, and direct financial and volunteer resource support from our corporate social responsibility (CSR) program and charitable contributions, we are providing both direct and indirect benefits to our communities.

We understand that our business depends on others for continued success and we will continue our efforts to engage with our communities, customers, and supply chain partners across the globe.

Young learners at the FIRST® LEGO® League in Europe



OUR PERFORMANCE

2014 HIGHLIGHTS

PRODUCT STEWARDSHIP

- Implemented global product stewardship standards (Safety Health and Environmental Management, or SHEM-16) to improve and maintain long-term performance
- Developed a sustainable chemistry program focused on improving efficiency, safety and environmental performance

SUPPLY CHAIN

- Collaborated with the Gulf Petrochemicals and Chemicals Association on the launch of the Gulf region Safety and Quality Assessment System (SQAS)

COMMUNITY ENGAGEMENT

- Included affiliate and educational community contributions in total
- Approved a new global CSR strategy – RAISE – that will guide our contributions and volunteerism

TOTAL CORPORATE COMMUNITY INVESTMENTS, 2014 US\$ 32.7MILLION

INCLUDES CORPORATE, AFFILIATE, AND EDUCATION

IMPROVING OUR COMMUNITIES

As a successful global business, we understand that our actions and vision play a foundational role in ensuring the success of future generations. Progress requires that we invest in the regions and locations where we operate, building healthy, resilient communities.

We are proud to provide financial and societal benefit to our communities through employment, direct and indirect economic stimulation from our business activities, as well as charitable giving and social responsibility initiatives. Our employees also contribute resources to our communities by giving their time and expertise through volunteer activities.

Every day, we see the challenges facing our world: food and water security, urbanization, population growth and environmental damage. With 40,000 employees working in 50 countries across the globe, we have embarked on a long-term commitment to invest in future generations through a global CSR strategy that is embedded in our ethical principles and our corporate culture.

OUR STRATEGY

We continued to build our CSR program this year with the development of our new RAISE strategy, which provides a framework and process that will guide, organize, and streamline corporate contributions and employee volunteerism. RAISE, which will be launched in 2015, highlights four priority focus areas that align with SABIC's 2025 vision, our global business strategy and technical capabilities.

This new strategy is designed to maximize SABIC's CSR impact and to serve as a framework for regional and local initiatives. It will provide global consistency and aligns with SABIC's Code of Ethics and other corporate policies.

Programs under the RAISE strategy will be managed by committees that will be created across all SABIC regions. Employees will be encouraged to participate in the RAISE process by submitting ideas for SABIC CSR projects in their region and by volunteering for programs supported by their local SABIC office. This process will provide a combination of consistency across the company while allowing for tailored local solutions defined by each of the regional RAISE Committees.

RAISE PRIORITY AREAS

- Science and technology education: Helping youth prepare for tomorrow's leadership roles in engineering and the sciences. We feel a responsibility to enable scientific education and development at all educational levels in Saudi Arabia and globally.
- Water and sustainable agriculture: Contributing to sustainable water and agriculture practices around the globe. We seek to apply our unique technical capabilities and innovations to support wise use and access to clean water, and to generate agriculture solutions that help the communities in which we do business.
- Environmental protection: Local community-based efforts designed to promote environmental stewardship and improve resource conservation.
- Health and wellness: Community-based health initiatives to promote healthy, vibrant communities.

SABIC VOLUNTEERS

One of SABIC's greatest assets is the vitality and engagement of its employees. The RAISE strategy recognizes the importance of our employees, their volunteer activities around the globe and their roles as ambassadors in their communities.

With this in mind, SABIC will continue to sponsor community volunteer days and encourage volunteerism at SABIC-sponsored corporate events. Additionally, each region, at its discretion, will provide opportunities for employees to volunteer during a limited number of work hours. In addition, the RAISE strategy includes incentives for SABIC employees to do community service on their own time – reflective of SABIC's "Culture of Giving." By empowering employees to participate and share their talents through volunteering, we reflect SABIC's CSR commitment to social responsibility, enhancing our corporate reputation, and advancing shared value.

COMMUNITY INVESTMENT

Our global corporate contributions has been modified to include SABIC corporate and affiliate charitable and educational contributions on a global basis.

SABIC aligned with our Al-Bayroni manufacturing affiliate to distribute approximately \$42 million in charitable funds to community health and services organizations in Saudi Arabia over a three-year period. This year, the funding went towards two initiatives. The first was an endowment for the benefit of the Autism Families Society in Saudi Arabia, which received approximately \$2.7 million and the second was a facility for the SABIC Employees Charity Fund (BERR), which received approximately \$6.1 million. BERR is an initiative of around 4,000 employees in Saudi Arabia working strategically to improve our communities by providing funding for housing and social projects.

Additional details on our corporate social responsibility activities can be found on our website.

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The energy and enthusiasm welcome you as you enter the building.... Students are busy with their robots, presentation and research, and that is exactly what we want to achieve with the FIRST® LEGO® League. Along with their SABIC coach, they identify solutions that could be applied now and in the future. We hope that the students keep this enthusiasm and opt for a career in our industry.

MICHEL VAN ACHT
DIRECTOR
SPECIALITY FILM & SHEET, EUROPE
INNOVATIVE PLASTICS
SABIC



SABIC School Bag Program

KEY CSR INITIATIVES

As a company that prizes leadership in cutting edge technology and scientific advancement, one of SABIC's most important community roles is to inspire the world's next generation of talent to pursue advanced education and careers in science, technology, engineering and math (STEM) fields. As a result, we are focused on fostering STEM talent among students of all ages and locations, but with additional emphasis on regions with high future growth and development needs.

SABIC is an enthusiastic sponsor and participant in FIRST® LEGO® League (FLL®) competitions in Europe and the United States. This is a pioneering program with highly interactive events and competitions based on real-world problems to engage school students in science and technology. For example, the Pittsfield and Wixom sites in the USA, and Bergen op Zoom in the Netherlands sponsored teams where SABIC employees coached groups of up to 10 children to program robots in an international competition.

In Saudi Arabia, SABIC sponsored the 7th annual Arabian Chemistry Olympiad, and developed the SABIC School Bag program to provide school supplies to students across the Kingdom, via a number of charity organizations. In addition, SABIC employees and their families joined in the launch of the 2014 Waste Free Environment initiative in Riyadh, conducted in collaboration with the Gulf Petrochemicals and Chemicals Association (GPCA).

In India, SABIC identified various programs to address local community challenges. In particular, vision was identified as a critical healthcare issue to encourage continued education amongst youth. Employee volunteers worked with local NGO and government to organize the "They See, They Learn" program, a comprehensive eye-screening initiative for students in the age group of six to 18 years. It offers screening, vision correction, treatment and even surgical support for less privileged children in government-aided schools. This program successfully achieved a milestone to assist 20,000 students within a year.

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The results of the collaborative efforts of Rotary Club of Indirapuram and SABIC are visible through the improved vision and the satisfaction seen on the faces of the children. We are happy that through this program, we were able to touch so many young lives and make a significant difference.

SANJAY KHANNA
DISTRICT GOVERNOR
ROTARY INTERNATIONAL
DELHI & NATIONAL CAPITAL REGION

CASE STUDY

LIGHTS OF OUR FUTURE

PROGRAM TARGETS TO REACH ANOTHER 700 STUDENTS IN 2015

2014 saw the launch of a new signature program in Singapore and China, “Lights of OUR Future”. In China, SABIC targeted postgraduate and doctoral students with a contest to solve urbanization challenges through sustainable innovation. We invited students from two of the country’s most prestigious universities – Fudan University and East China University of Science and Technology (ECUST) – to compete in creating original solutions to reuse plastic waste through 3D printing. The competing students received guidance from our scientists and presented their solutions at the SABIC Technology Center in Shanghai.

In partnership with Junior Achievement Singapore, SABIC employees in Singapore committed more than 400 hours of volunteer time to develop and deliver an interactive curriculum on sustainable living for a group of over 200 local students aged 10 to 11. The five-hour course aims to empower students with knowledge of important concepts on energy efficiency, reducing water usage, understanding the harmful effects of greenhouse gases and improving waste management. In 2015, our aim is to reach out to another 700 school students.

Upon guidance from our SABIC mentor, we applied our creativity and ingenuity to challenges that affect the lives of billions of people which has been a very inspiring experience for me.

LIU JIN
STUDENT,
ECUST, CHINA

I jumped at the opportunity to be a part of the organizing committee upon hearing about this sustainability driven CSR program – ‘Lights of OUR Future’. The objective of the program is very meaningful as it combines SABIC’s expertise in Technology and Innovation and our younger generation’s fresh perspectives, enabling our Scientists to inspire and engage these younger generation postgraduate students to develop solutions for real urbanization challenges such as pollution and waste management.

I learned a lot through my involvement in this project, from the coaching by senior colleagues within SABIC, to being invigorated by the passionate and aspiring young students. The program is aimed to keep going, as we endeavor to inspire more students to think and innovate solutions in a sustainable way to realize the ‘China Dream’. Of course, I hope we can further bring this program beyond China across SABIC.

LIN YING
SUPERVISOR ANALYTICAL, TECHNOLOGY
& INNOVATION SHANGHAI, CHINA, SABIC

Post-graduate and PhD students at “Lights of OUR Future” in China.



PRODUCT STEWARDSHIP

Product safety, regulatory compliance and transparency are critical to SABIC’s relationships across the value chain, from suppliers to customers, regulators, NGOs, consumers and society as a whole. This produces constant challenges, such as ensuring the safety of our processes and products; reviewing material and customer applications; reducing risks to human health and the environment; and demonstrating compliance with an evolving, global set of chemical regulations.

In 2014, SABIC began global implementation of our internal Product Stewardship Safety Health and Environmental Management standard (SHEM-16), a set of requirements for major business processes that aims to improve and maintain long-term product stewardship performance. With SHEM-16, SABIC’s product stewardship team continues to build a complete portfolio of tools and business processes to demonstrate leadership in product safety. The aim is to ensure all our stakeholders have confidence in our commitments.

PERFORMANCE TRENDS

Developing and reporting on appropriate metrics that measure and drive improvement in product safety performance is critical to sustainability and SABIC’s long-term business growth. Our product stewardship performance metrics and trends are shown in the table below.

One measure of value chain expectations for transparency, the number of customer product safety inquiries, increased by 13 percent this year compared to 2013. The result demonstrates the importance of strong tools and business processes, as well as improvements in our stakeholder communication.

We expect the trend in product safety requests to continue to increase, both within SABIC and the chemical industry as a whole, due to increasing regulations and voluntary industry standards for safety, sustainability and environmental certifications.

Further, Good Manufacturing Practice (GMP) audits and incident reporting found no product safety incidents related to food, medical or toy products by SABIC or our value chain. The audits revealed some areas for improvement at plants in the fields of hygiene, housekeeping and managing product formulations. These recommendations will be used to further improve our practices and increase consistency across our global operations.

Finally, the new Globally Harmonized System (GHS) of classification and labelling of chemicals will take effect in 2015. To prepare for this deadline, our product stewardship team was active throughout 2014 in establishing formal classification criteria. The number of identified products that now require hazardous labeling under the new GHS rules increased to 76.

PRODUCT STEWARDSHIP METRICS	2012	2013	2014
Number of products that require Globally Harmonized System (GHS) hazardous material labeling ⁽¹⁾	–	72	76
Number of customer product safety inquiries ⁽²⁾	4824	8,462	10,577

⁽¹⁾ Based on global GHS labeling requirements as of December 31, 2013
⁽²⁾Regulatory or customer-specific product-conformance criteria requiring customized response



COMPLIANCE

Ensuring compliance with chemical regulations and product safety requirements is an important and demanding challenge that our product stewardship team is well positioned to handle. SABIC’s compliance activity remained highest in Europe and Asia.

For example, our Performance Chemicals business introduced several new chemicals in the European market, including fatty acids, EPDM, POM, and PMMA, which all required registration under the European Union’s comprehensive Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals (EU REACH). Additionally, in Asia this year, SABIC formally established a program for compliance with Korea REACH, which ensures market access in this key region.

We also strengthened our voluntary commitments to chemical industry programs in 2014. These are aimed at improving management practices and transparency around the hazards and risks of the chemicals we manufacture. In alignment with Responsible Care®, we uploaded data sheets for all of our high priority chemicals to the International Council of Chemical Associations (ICCA) public database. Additionally, we met the expectations of the American Chemistry Council’s (ACC) 2014 Product Safety Code. Finally, we continued to meet the product safety requirements of the RC14001® standard during external audits.

GOING BEYOND COMPLIANCE

SABIC sets a high standard for its product stewardship program. We aim to go beyond compliance and actively work with our stakeholders on improving product safety, chemicals management and transparency.

As part of this commitment, in 2014 we began development of a sustainable chemistry program, holding training sessions at technical centers in Riyadh and Jubail, Saudi Arabia. By introducing sustainable chemistry concepts into new product and process development, we aim to stimulate innovative ideas to reduce the use and generation of hazardous substances at their source, and improve the efficiency, safety, and environmental performance of our products.

Externally, SABIC joined the Green Chemistry and Commerce Council (GC3) in the United States. GC3 is a business-to-business forum focused on advancing the application of green chemistry and design for environment across value chains. It has an emphasis on cross-sector collaboration. Finally, SABIC continues to proactively identify

potential hazards from our products and raw materials through chemicals safety research. In 2014, research was undertaken for several well-known chemicals and newly introduced products in the areas of acute toxicology, environmental fate and effects, genetic toxicity, endocrine activity, and metabolism and pharmacokinetics. The data generated from this research helps our company and the industry as a whole understand potential risks to human health and the environment. This then aids in the design and safe use of our products, supporting our commitment to creating long-term business value.

ADVOCACY

SABIC remains active globally in product safety and chemicals industry policy advocacy. We strive to secure balance and harmonization of chemicals regulation and policy across markets and nations. We also focus on ensuring decision-making is based on the latest sound scientific information. For example, SABIC is a strong supporter of an Association of International Chemical Manufacturers (AICM) initiative that arranges constructive dialogue between Chinese and EU regulators, as well as trade associations in Europe. The goal is to promote more harmonized and effective regulation in the area of plastics intended for food contact applications.

PROCUREMENT AND SUPPLY CHAIN

The partnerships and processes we establish through global procurement and supply chain enable us to ensure ethical practices across our value chain, improve transportation safety and efficiency, and reduce environmental emissions.

By improving road safety, reducing noise and emissions associated with truck traffic, and safeguarding against accidents and spills, we are directly benefiting the communities where we source, operate and sell our products. We are also benefitting those located along our major shipping routes.

In 2014, SABIC engaged with the Gulf Petrochemicals and Chemicals Association (GPCA) to develop a Safety and Quality Assessment System (SQAS) for logistics service providers in the Gulf region. SQAS in the Gulf is aligned with global standards. Through standardization and continuous improvement efforts, this initiative is expected to drive improvements in safe transportation,

such as vehicle maintenance, journey management, environmental performance and driver competency. Following up on a story in our 2013 Report, SABIC and the Saudi Railway Company (SAR) signed a memorandum of understanding in April 2014. The agreement establishes a major milestone towards new supply chains via rail transport. Starting initially in Saudi Arabia, the long-term concept includes rail corridors linking to other Gulf countries. Further, the memorandum is expected to improve road safety, reduce traffic and damage to highways, as well improve fuel efficiency and reduce greenhouse gas (GHG) emissions by an estimated 48,000 metric tones per year.

SABIC is the world's first chemical company to transport liquefied ethylene gas to our customers on LNG powered vessels



LOOKING FORWARD

As the company grows to meet the demands of our customers, markets and shareholders, we look forward to working even more closely with our value chain stakeholders and local communities to ensure they grow with us.

We will innovate to produce ever safer, more sustainable products to meet our customers' needs, while maintaining our sharp focus on upholding world-class product safety and stewardship standards. For example, next year we expect to expand our sustainable chemistry program across our global network of technology centers. We will also continue to build the safety and sustainability knowledge and capabilities of our suppliers and transportation partners to provide safer, more efficient transport of our products.

Our new CSR strategy, RAISE, increases business and community value and provides inspiration to everyone at SABIC to make a positive impact in their communities. Concentrating our community investments in strategic areas that best align our capabilities and core competencies with global megatrends and the needs of our communities is the most effective way we can build strong foundations for the future – both in and around our operations.

An investment that will be piloted in 2015 is our commitment to the World Business Council for Sustainable Development's (WBCSD) WASH pledge to assure access to safe water, sanitation and hygiene in the workplace for all of our global operations. We want to support activities that result in innovation opportunities for SABIC, as well as create positive social and environmental impacts in our communities.

These strategies mean that we can look ahead to the next decade with hope and inspiration. At SABIC, we believe that we have the potential to build foundations that grow lasting business value and support positive steps for a better future, for everyone.

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WE WILL INNOVATE TO PRODUCE EVER SAFER,
MORE SUSTAINABLE PRODUCTS TO MEET OUR
CUSTOMERS' NEEDS, WHILE MAINTAINING OUR
SHARP FOCUS ON UPHOLDING WORLD CLASS
PRODUCT SAFETY AND STEWARDSHIP STANDARDS.

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ADDENDUM



ABOUT THIS REPORT

REPORTING PERIOD, SCOPE, AND BOUNDARIES

Published in May 2015, this report covers SABIC's sustainability performance from 1 January 2014 to 31 December 2014. It includes all the SABIC businesses and operations that are financially consolidated in our 2014 Annual Report, which is available at www.sabic.com/corporate/en/investorrelations/.

We believe external assessments enhance our sustainability reporting and for the last four years we have used KPMG to increase our confidence in the data concerning SABIC's global footprint. It includes four metrics – energy consumption, greenhouse gas (GHG) emissions, fresh water usage, and material loss. They have provided limited assurance on the four sustainability footprint metrics and intensities listed above, as well as on EHSS rate, recordable incident rate, hazardous substance release incidents, occupational illness rate, fatalities, and process safety incidents. KPMG's assurance report can be found in the addendum.

REPORTING FRAMEWORKS

To guide the selection and organization of content, we use the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines and declare ourselves to be 'In Accordance – Core' with them. A complete GRI Content Index can be found on the SABIC Sustainability website: <http://www.sabic.com/corporate/en/sustainability/gri-profile>.

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

We continue to use the International Integrated Reporting <IR> Framework to capture SABIC's journey towards creating economic, natural, human, and social value, in both the long and short-term. Consequently, this report is structured around five key chapters: Sustainability Vision and Strategy; Creating Economic Value; Protecting Natural Capital; Developing Human Capital; and Building Social and Community Relationships.



1 ABOUT SABIC
2 CREATING ECONOMIC VALUE
3 PROTECTING NATURAL CAPITAL
4 DEVELOPING AND PROTECTING HUMAN CAPITAL
5 BUILDING SOCIAL AND RELATIONSHIP CAPITAL
6 ADDENDUM

INDEPENDENT ASSURANCE REPORT

TO THE READERS OF THE SUSTAINABILITY REPORT 2014

We were engaged by Saudi Basic Industries Corporation (further SABIC) to provide assurance on selected indicators in the Sustainability Report 2014 (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 2014 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 ton of product sales) at SABIC corporate level of the Environmental Footprint indicators:
 - Energy consumption (p. 21, p. 44)
 - Greenhouse gas emissions (p. 21, p. 42-43)
 - Water usage (p. 21, p. 45)
 - Material loss (p. 21, p. 46)
- The SABIC corporate values of the Environmental, Health, Safety and Security indicators:
 - Total Recordable Incident Rate (RIR) (p. 21, p. 58)
 - EHSS rate (p. 21, p. 57)
 - Hazardous Material Release (p. 21, p. 47)
 - Occupational Illness rate (p. 21)
 - Fatalities (p. 21, p. 58)
 - Process Safety Incidents (p. 21, p. 59)

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 supported by internally developed guidelines. It is important to view the performance data in the context of these criteria. We believe these criteria are suitable in view of the purpose of our assurance engagement.

We conducted our engagement in accordance with the International Standard on Assurance Engagement (ISAE) 3000: "Assurance Engagement other than Audits or Reviews of Historical Financial Information".

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 the selected indicators in the Report
- Interviews with relevant staff at corporate and local level responsible for providing the information in the Report, carrying out internal control procedures on the data and consolidating the data in The Report
- Visits to eight production sites in four 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 information for the selected indicators (listed in the section named 'Scope') is not presented, in all material respects, in accordance with the reporting criteria.

Amsterdam, 29 April 2015
KPMG Sustainability,
Part of KPMG Advisory N.V.
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