

SUSTAINABILITY+ PERFORMANCE

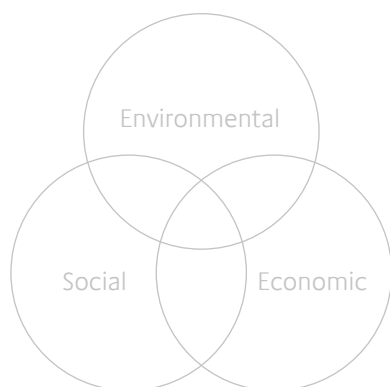
Sustainability Report 2011



ABOUT THIS REPORT

SUSTAINABILITY + PERFORMANCE

SABIC is on a journey to deliver business performance via an approach to sustainability which combines social, environmental, and economic considerations.



REPORTING PERIOD, SCOPE, AND BOUNDARIES

This report was published in September 2012 and covers our sustainability performance for the 2011 fiscal year, which ran from January 1, 2011 to December 31, 2011. Content in this report covers SABIC subsidiaries over which the Company exercises financial control, which aligns our sustainability reporting boundary with our financial reporting.

Over recent years we have expanded our processes for data collection and management systems to generate the performance data in this report.

The data in the “Sustainability in our Operations” section was generated and reviewed by SABIC’s Environmental, Health, Safety & Security (EHSS), Manufacturing Center of Excellence and Sustainability teams. We sought the involvement of independent advisory firm KPMG to give us additional confidence about the key performance indicators relating to energy use, greenhouse gas emissions, water use, and material loss.

The data in the “Sustainability in our Products” section was reviewed and verified using rigorous processes as described in that section. Independent advisory firm GreenOrder verified the environmental performance of some of the products mentioned in this report.

SABIC followed internal review processes for other data. We did not perform an external review to provide assurance on this report.

The data collection and management systems developed for this report will serve as the foundation for an increasingly robust reporting framework in the years to come.

REPORTING FRAMEWORKS

To select and organize content for this report, we used the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Principles of materiality, completeness, sustainability context, and stakeholder inclusiveness. We are self-declaring at GRI Application Level B, and a complete GRI Index is available online.

Innovative Plastics, a Strategic Business Unit (SBU), is a member of the UN Global Compact – a practical framework endorsed by chief executives from some of the world’s largest companies for the development, implementation, and disclosure of sustainability policies and practices. Innovative Plastic’s UN Global Compact Communication on Progress is available here: www.sabic.com/sustainability. SABIC, as an entire entity, joined the UN Global Compact in June 2012.

To learn more about SABIC’s sustainability activities and performance online, visit www.sabic.com. More information about our business and 2011 financial performance is available in our Annual Report.

SABIC™ and Chemistry that Matters™ are registered trademarks owned by Saudi Basic Industries Corporation.

CONTENTS

Saudi Basic Industries Corporation (SABIC) ranks among the world's top petrochemical companies. The company is among the world's market leaders in the production of polyethylene, polypropylene and advanced thermoplastics, glycols, methanol, and fertilizers – and one of the largest producers of steel in the Middle East.

Our vision is to be the preferred world leader in chemicals.

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

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A KEY MILESTONE



The publication of our first Sustainability Report represents a key milestone in SABIC's growth story. While our company has been actively engaged in sustainability activities throughout our history, bringing these actions together into one comprehensive account of our sustainability performance – and committing to do so annually – makes an important statement about the future of SABIC.

It demonstrates our desire to be a global company, successfully operating in markets and selling to customers worldwide. This is why we value the recruitment and retention of diverse, talented, and engaged employees.

It also expresses our ambition to address our customers' challenges through the sale of innovative products, services, and solutions that help solve global environmental problems.

This is also the first year we've disclosed our environmental performance against four key environmental performance indicators. This reflects our recognition that global environmental constraints will increasingly influence our company strategy by inspiring us to reduce our operational footprint.

Finally, this report reveals the importance we place on upholding the highest standards of ethics, integrity, and corporate governance, and our belief that good business sets the essential foundation for a successful global business.

In this report you will read a balanced account of our activities to date – compiled using the global standards set out by the Global Reporting Initiative – and our ambitions for the future.

Sustainability has been a critical part of SABIC's identity since we were first established to capture and utilize the natural gas resources of Saudi Arabia. This report takes us into a new phase of our journey, and lays the groundwork for accelerated efforts in the years to come.

OUR VALUES



INSPIRE

Generating excitement & commitment

We ask the 'why' behind the 'what,' creating pride in what we do to help our customers make a real difference to the world.



ENGAGE

Connecting with others to achieve more

We are people working with people and no individual can deliver everything alone. We work together for the long-term benefit of all.



CREATE

Finding and embracing new ways of doing things

Since our founding we've been driven to do what others said couldn't be done. Always resourceful, we're hungry for the next challenge.



DELIVER

Taking responsibility and making things happen

Working with customers takes individual initiative. We plan ahead and earn responsibility bringing a commitment to deliver – no matter what.

CHEMISTRY THAT MATTERS



This report is an important milestone in SABIC's journey toward sustainability, one that started more than 35 years ago in Saudi Arabia with the desire to capture the byproducts of oil extraction and transform them into products of value to people worldwide. Since then, SABIC has grown to become one of the largest petrochemical companies in the world. As we continue to evolve as one of the leading global companies, we plan to build on our existing foundation of sustainability which integrates the three key social, economic and environmental dimensions.

Today, our fast-changing and increasingly resource-constrained world demands that, to be successful for the long term, sustainability must be part of a company's overall growth strategy. The challenges of population growth and urbanization; of increased food, water and material scarcity; of energy demand and climate change all require urgent commitment and action. Our ambition is to produce the basic materials that the world needs to meet these challenges in a sustainable way, and to meet the emerging needs of our customers as they strive toward their own sustainability goals. We believe that pursuing sustainability will contribute to our ambition to be the preferred world leader in chemicals.

SABIC is pursuing world-class environmental performance in our operations and in our products. We are measuring our performance against four key eco-efficiency indicators, and I am pleased to say that we are making progress. However, achieving our long-term goals of resource efficiency will require continued operating excellence, the ingenuity of our employees and investment in innovative technology.

Our future is dependent on our having a deep understanding of our customers' needs. Satisfying our customers' requirements inspires innovation and collaboration along the entire value chain/lifecycle of our products. This innovative and collaborative effort forms the genesis of our Sustainability Solutions portfolio, which we will grow through customer collaboration with each of our businesses and corporate functions.

We have always believed that our success is conditional on the relationship of trust we create with our internal and external stakeholders. We seek to expand on that trusted relationship by sharing our global policies, procedures and actions in all areas of sustainability, including environmental management, ethics and compliance, human resources and community and economic development.

This report sets out how we are contributing to sustainable business growth. You will read of the work we've done to develop the cities of Al-Jubail and Yanbu to strengthen, stabilize, and diversify the national economy while maintaining the best worldwide environmental standards. You will become acquainted with SABIC's efforts to help companies throughout the region commit to and adopt the principles and requirements of Responsible Care® – which is a personal priority for me in my role as Chairman of the Gulf Petrochemicals and Chemicals Association (GPCA).

While our roots are in the Middle East, our challenges, responsibilities, and opportunities are global. As a participant in the B20 anti-corruption working group (a group formed to advise the G20 on matters of business concern throughout the world), we are proactively engaged in addressing global corruption and its impact on business. We are helping to advance the global business commitment to sustainability through our participation in the UN Global Compact, International Council of Chemical Associations and the World Business Council for Sustainable Development.

It is our hope that this report and our vision for continued improvement will set us on the path to becoming a recognized leader in sustainable business globally. We believe that reporting on our sustainability performance is critical to our stakeholders' ability to make informed decisions. I personally invite all of our stakeholders – our customers, employees, suppliers, and the communities we do business in – to provide us with feedback and insights into your expectations for sustainability at SABIC.

Responsible Care® is a registered service mark of American Chemistry Council, Inc.

ABOUT SABIC

SABIC IN NUMBERS

33,500

We are 33,500 direct employees strong, and have operations in over 40 countries around the world

- 6 Strategic Business Units
- 60 world-class plants worldwide
- 1 Corporate Research & Innovation Center
- 12 Technology Centers
- 4 Application Centers
- 150 new products each year
- 8,000 global patents

2nd

We are the world's 2nd largest diversified chemicals company, and the 88th largest public company*

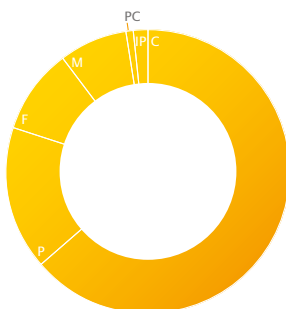
*Forbes 2012

\$89bn

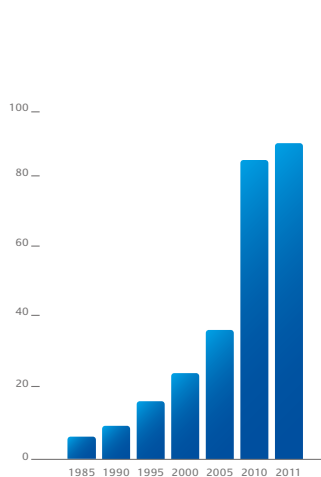
We have US\$89 billion in total assets, and annual revenues of over US\$50 billion

TOTAL PRODUCTION BY BUSINESS UNIT (THOUSAND MT)

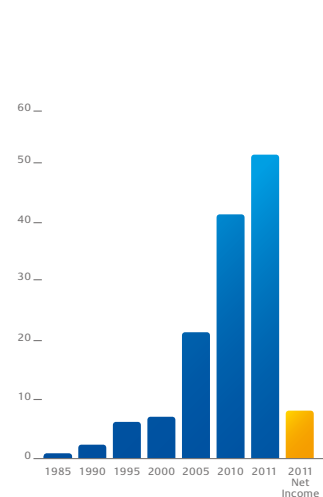
C	Chemicals	44,019
PC	Performance Chemicals	439
IP	Innovative Plastics	1,137
P	Polymers	11,333
F	Fertilizers	6,701
M	Metals	5,428



ASSETS \$ BILLION



SALES \$ BILLION



OUR HISTORY

SABIC was founded in 1976 from a vision to turn natural gas – that had been previously underutilized and damaged the environment – into valuable petrochemical products that we could supply to meet the world’s needs.

By investing in business partnerships, the best technology, strong acquisitions, and innovative programs, SABIC is now one of the largest and fastest-growing petrochemical companies in the world. With global operations across Asia, Europe, the Middle East, and the Americas, SABIC’s products contribute to every step of the chemical value chain.

SABIC is a public company, headquartered in Riyadh, and has been listed on Tadawul, the Saudi Arabian stock exchange, since 1984. The Saudi Arabian government holds 70 percent of our shares, and private investors in Saudi Arabia and other Gulf Co-operation Council countries hold the remaining 30 percent.

SABIC’s headquarters in Riyadh.



ABOUT SABIC (CONTINUED)

CREATION



1976
Foundation of Saudi Basic Industries Corporation (SABIC) by Royal Decree. Work begins on construction of Al-Jubail and Yanbu industrial cities with strong commitment to environmental conservation.

1979
More than 100 employees are sent abroad for advanced education and training with joint venture partners; staff size increases to 189.

DEVELOPMENT



1982
HADEED is first primary industry to start production of iron and steel.

1983
New SABIC HQ opens in Riyadh and 276 employees move in. 2,500 employees complete our training programs.

1984
Five SABIC industries come on stream ahead of schedule: IBN SINA, SADAF, KEMYA, YANPET, and GAS; they start initial operations.

First public offering of SABIC shares sells out, exceeding all expectations, with total demand three times the number of shares originally proposed.

EMERGENCE



2000
SABIC products reach customers in more than 100 countries.

Launched an improved Environmental Management System enabling all affiliate companies to benchmark environmental performance.

2001
Research and Technology function awarded the Gulf Cooperation Council prize for "Best Environmental Research."

2002
Acquisition of DSM Petrochemicals, growing the business in European markets through production sites at Geleen (the Netherlands) and Gelsenkirchen (Germany). This marked the first major acquisition of SABIC outside the Middle East. The head office of SABIC Europe was established in Sittard (the Netherlands).

2003
Twelve SABIC affiliates achieve ISO 14001 certificates.

2004
Donated more than \$1.46 million to victims of the Asian tsunami, while also making major financial contributions to organizations such as UNESCO and the Saudi Red Crescent Society.

Published a new Safety, Health, Environment, and Quality (SHEQ) policy, placing emphasis on environmental considerations in all phases of manufacturing.

2005
SABIC affiliates recorded more than 106 million man-hours without lost time.

2006
Acquisition of Huntsman's European Base Chemicals and Polymers business, with production facilities in North Tees and Wilton (U.K.).

Established a comprehensive CSR structure to realize a strategy focused on a healthy workplace, developing people, and community support.

**1985**

SABIC international joint venture partners now include Shell, Mobil, Exxon, Taiwan Fertilizer Company, Mitsubishi Group, Celanese, Neste Oy, and Enichem.

1986

Al-Jubail and Yanbu awarded United Nations environmental prize for work on environmental conservation.

1989

All 15 of SABIC's first generation of industries are now fully on stream.

1994

SABIC Industrial Complex for Research and Development is dedicated by Prince Salman Ibn Abdulaziz, Governor of Riyadh Region.

**2007**

Acquisition of GE Plastics adds the largest engineering plastics portfolio and expands global business, manufacturing and technology presence in the Americas, Europe and Pacific markets.

SABIC Americas received Responsible Care® certificate.

2008

Pledged \$1.15 million to the China earthquake relief fund.

Innovative Plastics named the national Energy Globe Award overall winner for the Netherlands.

2009

Recognized for a consistent record of all-round improvement in environment, health, safety, and security by numerous prestigious international awards including those of the National Safety Council, the Royal Society for the Prevention of Accidents, the British Safety Council, and the Japanese Industry Safety & Health Association.

CEO and Executive committee request development of official SABIC Sustainability department. Innovative Plastics joins UN Global Compact.

SABIC AND SINOPEC (China) establish SSTPC, a joint venture to promote the development of petrochemical complex in Tianjin. The project, when complete will be the world's leading non-phosgene polycarbonate manufacturing technology, which complies with China's national energy saving and carbon emission policy. With the advanced equipment, the products are designed to be high tech and high value-added which can be used for a wide range of applications.

2010

Completed first comprehensive map of greenhouse gas emissions, energy, and water usage across all manufacturing sites.

2011

Four new Innovation Centers under construction worldwide that will play a major role in delivering sustainability innovations.

SABIC Academy opens.

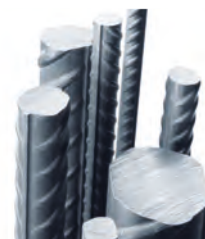
ABOUT SABIC (CONTINUED)



Polymers uses raw materials and chemicals made by other SABIC business units.



Chemicals manufactures the essential building blocks for a wide range of materials.



Long steel is used in girders and wire rods and is mainly used in the construction industry.

OUR STRUCTURE

SABIC comprises six strategic business units (SBUs) organized by product:

CHEMICALS

Chemicals is our largest operating business unit and manufactures the essential building blocks for a wide range of advanced chemicals, plastics, and materials used in everyday life around the world. End products created from these chemicals include plastics, fabrics, packaging materials, paint, antifreeze, paper, and textiles.

- Olefins and gases
- Oxygenates
- Aromatics and chlor-alkali
- Glycols

POLYMERS

Polymers uses raw materials and chemicals made by Chemicals SBU to help find alternatives to replace traditional materials — wood, cotton or glass — used in a vast array of consumer and industrial products such as food packaging and bottles, car parts, building materials, water pipes, diapers, and clothing.

- High Density Polyethylene
- Low Density Polyethylene
- Polypropylene
- Polyethylene Terephthalate
- Polyvinyl Chloride
- Polystyrene

INNOVATIVE PLASTICS

Innovative Plastics has a portfolio of nearly 40,000 engineering thermoplastic resins, specialty compounds, films, sheets and additives, to provide innovative solutions for almost every area of modern life, including automotive, electronics, health care, lighting, and construction.

- LEXAN[®] PC, CYCOLOY[®] PC / ABS, CYCOLAC[®] ABS, NORYL[®] PPE, ULTEM[®] PEI, VALOX[®] PBT and XENOY[®] PC / PBT and STAMAX[®] long-glass-filled PP resins and PP compounds
- LNP[®] specialty compounds
- Specialty film and sheet
- EXATEC[®] automotive glazing

[®]Trademark of the Innovative Plastics business of SABIC

PERFORMANCE CHEMICALS

Performance Chemicals produces and markets technologically advanced chemical derivatives tailor made for specialized industrial and consumer applications. Over the coming years, Performance Chemicals will introduce more than 40 new performance products and serve new customers in growing industries ranging from personal care, construction, household and industrial cleaning, oil and gas, textile, automotive, alternative energy, and aviation.

- Ethanolamines
- Ethoxylates
- Linear alpha olefins
- Catalysts
- 2-ethyl hexanol
- N-butanol
- Di-octyl phthalate
- Acetic acid
- Acetone

FERTILIZERS

Fertilizers supplies a comprehensive portfolio of nitrogen-based inorganic products to help solve the world's food supply challenges by improving crop yields. Fertilizers has a strong position in the Middle East, Asia, Africa, and U.S. markets.

- Urea
- Ammonia
- Phosphates

METALS

Metals is a leader in the Gulf region for steel production and manufacturing, producing the high-quality metals that have played a vital role in the construction and industrialization of some of the world's fastest-growing economies. Long steel is used in girders and wire rods and is mainly used in the construction industry, while flat steel formed panels are ideal for making oil drums, car parts, and household appliances.

- Long steel
- Flat steel

CORPORATE

SABIC also has corporate functions that deliver services to the SBUs, standardize processes, build best practices, and lead corporate-wide initiatives. During 2011, these were organized as:

- Manufacturing
- Technology and Innovation
- Strategy and Planning
- Corporate Finance
- Corporate Human Resources
- Corporate Communications
- Shared Services

SABIC operates in 40 countries with more than 33,500 employees around the world. Five regional vice presidents provide leadership of specific region needs.

MIDDLE EAST AND AFRICA

Our corporate headquarters is in Riyadh, Saudi Arabia with many major production facilities and Innovation Centers located there. Africa is a growing market for our products, and we have a network of offices and companies elsewhere throughout the Middle East and Africa, in strategic locations such as the United Arab Emirates, Egypt, Lebanon, South Africa, Morocco, and Turkey.

ASIA

SABIC has been operating in Asia since 1980 and now has over 40 offices with more than 2,200 employees across the region. The Asia region is split into north and south Asia regions. There are currently nine manufacturing and compounding sites in China, India, Japan, Korea, Malaysia, Singapore, and Thailand in order to better serve customers in the region. Asia is also home to two Application Centers in Japan and Korea, one Technology Center in India, and two upcoming Technology Centers in Bangalore and Shanghai. Today, Asia is SABIC's fastest-growing region globally exhibiting strong growth.

THE AMERICAS

Our Innovative Plastics business has its global headquarters in Pittsfield, Massachusetts. Other SABIC operations in North and South America are handled through our Houston office in Texas, which also serves our sales, marketing and business development activities.

Houston; Selkirk, New York; Mount Vernon, Indiana are also the homes for SABIC Technical Centers in the Americas. SABIC has nine manufacturing locations in North America.

Our American presence was greatly expanded when we acquired GE Plastics — a major manufacturer and supplier of highly engineered thermoplastics — in 2007 and renamed it Innovative Plastics, one of SABIC's six SBUs.

EUROPE

We began manufacturing operations in Europe when we acquired DSM Petrochemicals in 2002, with its headquarters in Sittard, the Netherlands. This acquisition enabled us to take a big step toward achieving our ambition of being a global producer of high-quality petrochemical products. SABIC's presence in Europe was expanded in 2007 with the addition of manufacturing, technical and commercial operations from GE Plastics.

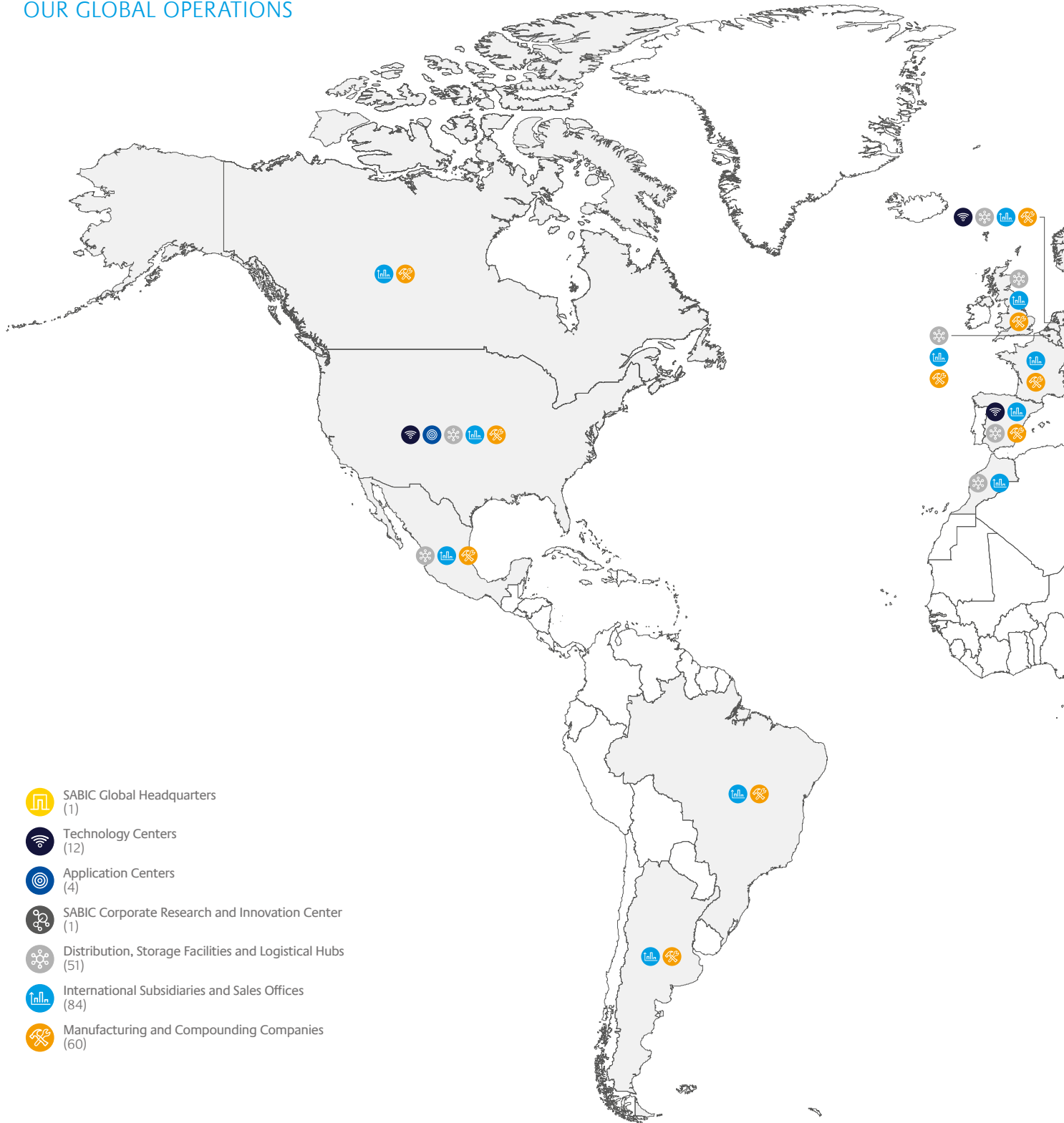
SABIC has state-of-the-art manufacturing operations at Gelsenkirchen in Germany, at Geleen and Bergen op Zoom in the Netherlands, at Teesside in the United Kingdom, at Cartagena in Spain, and at Genk in Belgium. These centers are supported by a number of specialist sheet and compounding facilities across the region. Our Dutch and Spanish facilities also house cutting-edge technology and application centers.

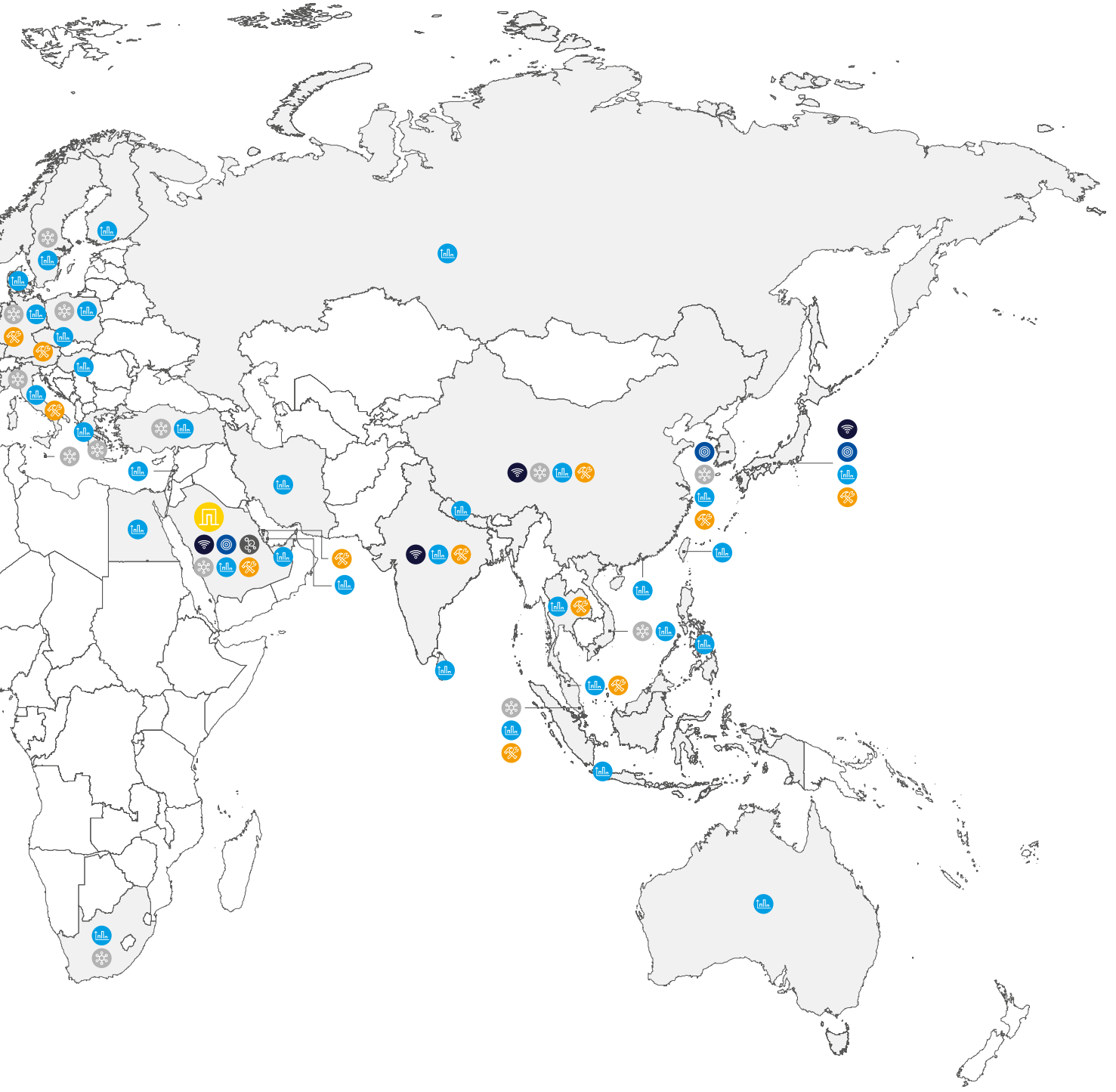
Please refer to the map on the next page for further information.

We began manufacturing operations in Europe when we acquired DSM Petrochemicals in 2002, with its headquarters in Sittard, the Netherlands.



OUR GLOBAL OPERATIONS





ROLE OF SUSTAINABILITY IN OUR BUSINESS

SABIC's corporate sustainability governance structure was formalized in 2009 by the SABIC Executive Committee in order to establish consistent global practices and to accelerate the formation of an integrated framework for environmental, social, and economic action.

SABIC's Executive Committee oversees the strategic management of SABIC, including setting the corporate vision and strategy. The Executive Committee consists of the Vice-Chairman and CEO, six SBU executive vice presidents and six functional executive vice presidents.

OPERATING STRUCTURE



SUSTAINABILITY COUNCIL

Our Sustainability Council which is chaired by the Vice-Chairman and CEO and includes executives from our six SBUs and six corporate functions sets our sustainability vision, goals, and priorities. The Council is accountable for performance against our sustainability goals.

Sustainability is an integral part of our operating rhythm as a company. The Sustainability Council meets twice per year in March and December; the executive team meets twice per year to review the SBU progress toward Sustainability KPIs. Sustainability reviews are included in SABIC Board meetings on a frequent basis.

Since its creation in 2009, the Council has been addressed by a number of external sustainability experts and business leaders to provide input on key global trends in sustainability and their relevance to SABIC's business. SABIC has also joined the World Business Council for Sustainable Development (WBCSD) and United Nations Global Compact to deepen its participation and insight into global sustainability issues.

STEERING COMMITTEE

The Steering Committee which includes SBU and corporate-function representatives meets monthly to develop strategic recommendations for the Council and implement sustainability initiatives approved by the Council across the business.

SUSTAINABILITY DEPARTMENT

The Corporate Sustainability Department includes employees who are dedicated to sustainability on a full-time basis and are responsible for designing and ensuring consistent processes across SABIC. These leaders also provide expertise in sustainability standards and trends, lead opportunity development across our value chain, and represent SABIC in a variety of business organizations which focus on sustainability (including the WBCSD, Plastics Europe, and World Steel association). SABIC is one of the first major companies in the Gulf region to take all of these steps toward establishing a sustainability strategy and culture.

TOPICAL SUB-TEAMS

Topical Sub-Teams are formed by the Sustainability Council, Sustainability Steering Committee or Sustainability Department to provide critical content to the SABIC sustainability process and strategy. In 2011 we had three sub-teams that have provided significant results described in this report. The Footprint team led by our Manufacturing Center of Excellence team developed the processes and data behind our environmental footprint. The Product Standard team developed the standards and processes that SABIC applies to define sustainability products. The Sustainability Report team developed this report. These sub-teams are ultimately accountable to the SABIC Sustainability Council.

Accountability for sustainability resides with the executive team, and each SBU leader is responsible for the performance of their business in reaching SABIC's sustainability goals. Functional leaders are responsible for providing the tools, processes, skills, and programs to achieve the performance of the overall corporation and the individual SBUs. Performance against these goals is reported to the CEO and Board of Directors, and the financial compensation of executives is impacted directly by performance against sustainability goals.

Responsibility for publishing the Sustainability Report resides with our Corporate Communications Department, which is also responsible for SABIC's Corporate Social Responsibility activities.

Process leadership for this sustainability report process is the responsibility of the Report Steering Committee, which is a global, cross-functional team. The Sustainability General Manager chairs the Steering Committee and is accountable to the Sustainability Council. The Corporate Communication VP serves as the executive advisor to the Steering Committee. The Sustainability Council and the SABIC Board have reviewed and approved this report.

During 2012, we will be reviewing our sustainability strategy and structure to ensure that it optimally supports our long-term goals and enables the development of a culture of sustainability throughout the organization.

The Footprint team led by our Manufacturing Center of Excellence team developed the processes and data behind our environmental footprint.



ESTABLISHING PRIORITIES

ESTABLISHING PRIORITIES

To help focus our sustainability strategy and reporting efforts, we undertook a process to identify the sustainability issues that have the greatest influence on our business success and are the most important for our stakeholders. This process drew upon experience from BSR – a global nonprofit organization focused on sustainability – and stakeholder interviews and workshops with SABIC leaders in North America, Europe, the Middle East, and Asia during 2011.

We identified a list of sustainability issues relevant to our business based on interviews with more than 100 business and corporate functional leaders across the company. After additional analysis of rate issues according to their influence on business success and importance to stakeholders – including customers, policymakers, local communities, NGOs, employees, suppliers, and subcontractors – we derived the following priorities.

SUSTAINABILITY ISSUES



Ethics & Compliance
– Compliance with Code of Ethics (Bribery, Anti-Dumping, etc.).



People
– Health, wellness, and safety.
– Global outlook, equality and diversity.
– Talent attraction, retention and development.



Supply chain
– Transportation of hazardous materials – stewardship.



Communities

- Local economic and infrastructure development.

These sustainability issues will serve as the core to our reporting strategy and overall sustainability efforts in the years to come.

The technical and geographic diversity of SABIC will influence how the above issues are prioritized and implemented in each region, SBU, and function. We also recognize the importance of completing periodic reviews to ensure that we keep pace with evolving business priorities and stakeholder expectations of SABIC's performance on sustainability.



Environment (Product)

- Management and reduction of hazardous chemicals in products.
- Sustainability solutions to meet customer needs.

As part of this process, we engaged our key customers to better understand their sustainability priorities and learn their expectations and suggestions for SABIC's approach to sustainability. This engagement demonstrated the value of dialogue with stakeholders to develop innovative solutions to shared sustainability challenges. This customer feedback reinforced the priority areas for our sustainability strategy and report. Some of the key messages and actions for this year include:



Environment (Operations)

- Water use and quality.
- Energy use and efficiency.
- Direct and indirect greenhouse gas emissions.
- Materials use and waste generation.

- Collaborate and partner with customers to find shared sustainability solutions.
- Better understand our products' impact to improve performance throughout the entire lifecycle.
- Ensure the safety in our products with regard to composition and distribution.
- Ensure our approach to sustainability includes improvements in social, economic, and environmental performance.
- Maximize material, energy, and water efficiencies to secure future raw material supplies and to manage costs.

ESTABLISHING PRIORITIES (CONTINUED)

SABIC recognizes that there are several critical megatrends that are significantly influencing the future of our business, our customers, and global society.



MEGATRENDS

In addition to this issue prioritization, SABIC has conducted a strategic assessment of megatrends affecting global sustainability over the next decade. We believe that trends in population and urbanization, energy and resources, material, water and food scarcity, and infrastructure changes will significantly influence our business, our customers, and global society. Our assessment of these trends and their implications informs the actions that our SBUs will take over the next decade, and compel us to make sustainability a fundamental pillar of our corporate strategy.

In 2012 and beyond, we will continue to engage with stakeholders on key sustainability issues. We will ensure that the groups and individuals who impact our business, and are impacted by it, are factored into our strategic business decision-making process from both a risk-management and an opportunity-generation perspective.



Population growth.



Emerging economies.



Resource scarcity.



Urbanization.



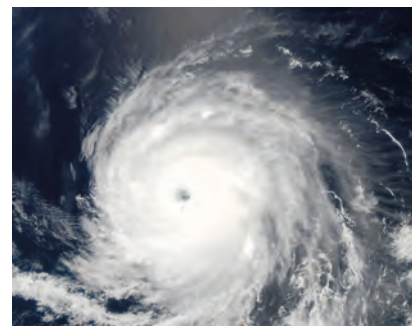
Food and water shortage.



Biodiversity loss.



Energy demand.



Climate change.

KEY MESSAGES AND 2011 HIGHLIGHTS

In this first report, we take the opportunity to share our key accomplishments to date. We are also transparent about the sustainability challenges and opportunities we face, and how we are addressing these in our products and through our operations.

Over the past two years, we have aligned each of our business units and regions around a single set of company policies, procedures, and processes on aspects such as compliance, environmental management, and human resources. Having established this strong foundation, our priority now is implementation and uptake of these policies, procedures, and processes across all of our global operations.

While we are in the early phases of our long-term sustainability journey, we have a number of achievements to highlight:

- Deployed uniform Code of Ethics across the entire global business.
- Led global anti-corruption efforts.
- Established environmental performance targets for reductions in greenhouse gas, energy, water, and material loss intensity in all our operations.
- Took leadership role in the Middle East on implementation of Responsible Care®.
- Developed robust health, safety, and security policies across the company.

- Joined the WBCSD and have become active participant in Chemical Sector working group.
- Included sustainability key performance indicators (KPIs) in our enterprise management system.
- Named “Employer of Choice” in the Netherlands for the sixth year in a row.

Other highlights will appear as featured inserts throughout this report. We also highlight our challenges, opportunities, and ambitions for sustainability in this report. Challenges represent difficult circumstances to overcome, key risks, or areas where our performance is less developed but where we aspire to be strong. We consider opportunities to be where SABIC can capture additional value for business and society through our existing capabilities and business priorities.

We will continue to assess our social, economic, and environmental performance through ongoing materiality and best practice analyses. We encourage feedback from all stakeholders on this report, and we will update our sustainability management practices through our Sustainability Steering Committee and Council in order to provide the most effective operating mechanisms.

“GreenOrder has been privileged to work with the company’s leaders since the creation of its sustainability organization in 2009. This report is a key achievement as SABIC continues to integrate sustainability as driver of innovation and profitable growth, and an important step in the company’s ambition to be the preferred world leader in chemicals and materials.”

ANDREW L. SHAPIRO
Founder
GreenOrder and GO Ventures

Fertilizers supplies a comprehensive portfolio of nitrogen-based inorganic products to help solve the world’s food supply.



AWARDS RECEIVED DURING 2011

The following is a sample of the awards earned by SABIC in 2011 and shows that we are already gaining recognition for our sustainability performance.

JANUARY 2011

SABIC wins King Khalid Award for Responsible Competitiveness. This award is given to the strongest performers on the Saudi Responsible Competitiveness Index. As the overall winner, SABIC demonstrated exceptional leadership for responsible business practices, an effective governance structure of social and environmental issues, and a visionary green supply chain program. SABIC was the Saudi Arabian company most recommended as an outstanding Responsible Competitiveness company by participants in the Index.

FEBRUARY 2011

SABIC named one of the best companies to work for in China. The China's Top Employers 2011 certification, which was conducted by the CRF Institute – a leading global research institution in the field of HR policies – rated SABIC highly in four areas: Benefits, Working Conditions, Learning and Development, and Company Culture.

APRIL 2011

SABIC wins Dutch Chemical Industry Association VNCI Responsible Care® award. SABIC was chosen for this award because of our efforts to make the transport of hazardous substances as safe as possible. On April 1, SABIC became the first company in the chemical industry to call for its haulers to commit to Responsible Care®. For this purpose, SABIC concluded three-year contracts with road haulers to reinforce our commitment to safety and sustainability throughout the entire logistics chain.

Innovative Plastics honored by the American Chemistry Council (ACC) with two Responsible Care® Energy Efficiency Awards. Our Mount Vernon Ind. resin unit was recognized for significant manufacturing improvement after it redesigned its facility to simplify and optimize the resin purification process, leading to reduced use of steam and electrical energy. Our plastics manufacturing plant in Selkirk, NY took the ACC "Exceptional Merit"



SABIC wins Dutch Chemical Industry Association VNCI Responsible Care® award.

designation for a recently installed steam turbine generator to capture energy that was previously lost during pressure reduction.

SEPTEMBER 2011

SABIC named "Company of the Year – Chemicals" by the People's Choice Stevie Awards. This award is judged each year by leading figures in business worldwide to honor great performance in business.

Innovative Plastics wins the U.S. National Pollution Prevention Roundtable's Most Valuable Pollution Prevention Project Award. Our Mount Vernon site was recognized for an innovative process design that extracts sodium nitrite from a waste stream and purifies it to meet a commercial grade quality specification so it can be sold for industrial applications.

NOVEMBER 2011

SABIC receives 2011 Netherlands Logistics Award. SABIC was awarded the Logistics Management Association's 2011 Netherlands Logistics Award for our project Adaptive Dynamic Sourcing for European Transport. This project represents a successful collaboration between shippers and logistics service providers, during which planning information is shared proactively and

operational processes are paperless and controlled. By organizing so-called "Haulier Days," SABIC actively involves service providers in finding solutions for key issues such as safety, sustainability, loading/unloading, preventing empty kilometers, and capacity planning.

Innovative Plastics receives top honors at the 2011 Society of Plastics Engineers (SPE) Automotive Innovation Awards competition. Two automotive applications molded from our broad portfolio of thermoplastic materials – ranging from the world's first all-plastic door module to a lighter-weight instrument panel – demonstrate the exceptional scope and diversity of SABIC's thermoplastic portfolio.

TESTIMONIALS

These comments from SABIC and company affiliates provide insights on our approach to sustainability.



LIBBIE CRAFT
Global HR Transformation Leader
Pittsfield, USA

As Global HR Transformation leader, I partner with the business to advance our HR strategic planning processes as well as to develop and lead SABIC's Global Diversity and Inclusiveness strategy. Our focus in Diversity and Inclusiveness promotes our sustainability performance by continuing to enhance SABIC's ability to perform in a complex world. With operations and employees spanning the globe, it is critical that we fully leverage the diverse knowledge, perspectives, and experiences that exist throughout the organization. Doing so will enable us to continue to bring forward the best solutions and achieve our shared ambitions.

I am incredibly proud of the SABIC employees we have around the world. It's not simply that we have talented people, because of course we do. What makes SABIC special to me is that, at all levels of the organization, people aspire to be world class in their field and at the same time bring a deep sense of care and commitment to each other and the communities around us.



ALAMIN M ALRUWAIL
Sustainability Engineer
Jubail, Saudi Arabia

SABIC's Sustainability program has already made a strong impression in Saudi Arabia and the region as a whole, and I applaud the leadership that SABIC has taken in Saudi Arabia.

At the Petrokemya site where I work, engaging engineers in sustainability resulted in the generation of more than 100 ideas. We've unearthed many previously overlooked opportunities to make improvements, especially in relation to waste energy streams. For instance, utilizing Olefin-III benzene off gas emitted from excess flaring as fuel in our UIP boilers reduced our natural gas invoice by more than 10 percent. Further optimization of our steam system reduced excess steam by more than 60 percent, significantly reducing the GHG emissions, energy use, and water intensity.

At the end of the day, sustainability is common sense – I'm excited to unearth more practical solutions for SABIC.



MARK VESTER
Business unit director LD/LLDPE
Europe
Sittard, Netherlands

I am currently working in Sittard, the Netherlands as both Director for Energy and Utilities as well as Business Unit Director LD / LLDPE for Europe.

One of the sustainability initiatives that I am involved in relates to our production sites where we produce a significant amount of heat from our processes. In the vicinity of the Geleen site, for example, we are helping municipality to establish a "waste heat" network for heating and cooling residential houses and nearby offices. When established, it will mean that households do not need boilers, thus saving on gas usage and reducing CO₂ emissions.

SABIC is willing to spend the resources needed on this project and make an alternative heating resource available. For me it optimizes SABIC's commitment to the environment as well as the neighboring community.



AHMED AL NAZR
Manager, Technology
Management
(Metals Strategic Business Unit)
Jubail, Saudi Arabia

My role with SABIC's Metals SBU allows me to achieve my dream of working on technologies / processes and then implementing them. Increasingly, we are looking at how sustainability can yield "good-to-excellent" returns on investment.

One of our projects completed last year involves utilizing iron ore filings, earlier disposed of as low value byproduct, to make high value feedstock for steel making. Another project lined up for implementation focuses on utilizing flared gases as an energy source. We are quite confident that our collective efforts on sustainability will enforce our position as one of the most sustainable companies in the region.

I take immense pride in working with SABIC due to its contribution toward nation-building in Saudi Arabia and beyond – it provides tremendous opportunities for the development of employees, for a secured future, and for society overall.



AYMAN M. AMOUDI
 Manager
 Process Engineering Department
 Saudi Kayan Petrochemical
 Company, Jubail, Saudi Arabia

Saudi Kayan is the biggest complex we have. We have more than 13 plants in Jubail with approximately 1,600 employees. When we first started really thinking about sustainability we were excited to dedicate a team of process and system engineers to it. Since then, we have defined a sustainability vision, mission, and clear road-map.

The inter-linkages between the different plants at Saudi Kayan allow us to introduce systematic solutions. For example, we take some of the CO₂ from one plant and use it as a feed in the polycarbonate plant, thus greatly reducing our carbon footprint. We estimate that our sustainability initiatives have saved us more than \$8 million, and we're committed to achieving much more.

For me, the beauty of SABIC is that we invest in people. Without having talented people, we won't be a leader in sustainability.



ELLY BURGHOUT
 General Manager
 Global Application Technology
 Bergen Op Zoom,
 Netherlands

The global application technology team which I lead works on replacing metal with plastic, among other things. For example, we are helping to replace metal car fenders with plastic ones, which helps to contribute to automotive light-weighting and reduces the carbon footprint of vehicles. We focus on the entire lifecycle of our solutions, striving to optimize design for "end of life." We've built a strong process and data around lifecycle assessment – I strongly believe that if you don't have good data, you cannot have sustainability.

SABIC's leadership is 100 percent committed to making the company truly global and with a strong identity based in its Saudi heritage. As a global technology leader based outside of Saudi Arabia, I collaborate with the team members around the world, which I enjoy immensely. We're looking to learn about other cultures and make the team boundary-less in order to foster better brainstorming and contribute to our unified strategy. It's a work in progress, but we're getting there.



DR. JENNY ZHANG
 Global Technology Director
 Performance Resin
 Shanghai, China

I am the global technology leader for performance resins, including polycarbonate, ABS and polyester based products within Innovative Plastics. My main responsibility is to work with Innovative Plastics business leaders and SABIC's Technology and Innovation organization to develop technology strategies which drive Performance Resins' business growth over the short and long term.

In the global performance technology team, we have two focused areas on sustainability. One is to develop Eco-FR (non-Chlorine, non-Bromine) products, and the other is to incorporate post-consumer recycled materials into the performance resin product portfolio.

It is a distinct privilege to work for SABIC given its genuine vision to achieve long-term growth through sustainability.



UTPAL VAKIL
 Technical Director
 Bangalore, India

I lead the Chemical Engineering and Polymer Science labs at Bangalore as Technical Director. We have several opportunities to support SABIC's Sustainability goals. For example, we are engaged in Lifecycle Assessments for several products to help quantify the environmental impact of SABIC's processes in different categories. We have also developed products using Post-Consumer Recycled (PCR) resins, e.g., VALOX*^{iQ}, XENOY*^{iQ} and NORYL*^{PCR} resins that are now commercialized in the automotive and consumer electronics industries.

Additionally, we are driving programs in the vicinity of SABIC's Technology Center in India to positively impact education, health and the environment. For example, we have built a new school for poor children in a village adjacent to the SABIC site and donated diagnostic equipment to a primary eye care center in a neighboring village. Further, there is a plan to upgrade and rejuvenate a lake close to the SABIC Center to enable better access to potable water in the village.

SABIC's goal of moving from being a follower to a leader of sustainability is incredibly motivating for me. It offers an opportunity to give back to society and will enhance the SABIC brand in India.

*Trademark of the Innovative Plastics business of SABIC

SPURRING SUSTAINABLE GROWTH IN SAUDI ARABIA: SPOTLIGHT ON AL-JUBAIL & YANBU

In September 1976, a royal decree created SABIC, whose primary task was to set up and operate hydrocarbon and mineral-based industries in Saudi Arabia. Its manufacturing plants were to be located in two industrial cities – Al-Jubail on the Arabian Gulf and Yanbu on the Red Sea. Prior to 1976, Al-Jubail and Yanbu were small fishing villages, with very few inhabitants and limited economic activity. The vision was to transform these villages into two industrial cities, which would combine readily available fuel, feedstock, and a developing infrastructure into a modern and competitive industrial base for Saudi Arabia, and do so in a manner which took environmental conservation into account.

Rising out of the salt flats and sand dunes of Al-Jubail and Yanbu have emerged some of the world's most technologically advanced petrochemical plants, supported by a strong infrastructural backbone of ports, roads, and a master gas system for Saudi Arabia. Since gas was readily available, producing petrochemicals, fuels, and other feedstock became the natural downstream industry. The output of this industry not only increased value-added exports but also provided critical raw material feedstock for the development of secondary industries, including agricultural fertilizers, cement, steel, and various consumer products for domestic and export markets.

Substantial investments were also made to promote the welfare and betterment of Saudis and residents in the areas of health care, education, housing, and community life. To support the significant national manpower demands driven by these industrial development projects, a comprehensive human resource master plan for the country was put in place. This included the establishment of industrial colleges and technical institutes to provide advanced technical and vocational training whose curricula have been tailored to match the needs of the industries. In addition, a comprehensive environmental protection program was purposefully designed by the Royal Commission for Al-Jubail and Yanbu from the start to help ensure sustainable development.

Total investments in Al-Jubail and Yanbu have grown to around US\$297 billion, and the, approximately, 300 petrochemical and related companies in the regions have created numerous jobs. Al-Jubail alone is estimated to account for approximately 70 percent of Saudi Arabia's non-petroleum exports, 11.5 percent of the country's gross domestic product, and 7 percent of the world's petrochemicals.

AL-JUBAIL

Population: 105,367
Industrial Employees: 53,645
Total Area: 14.7 hectares
Total Private Sector Investment:
\$243.7 billion

Source: The Royal Commission



INTRODUCTION

SUSTAINABILITY IN
OUR BUSINESS

ETHICS AND
COMPLIANCE

SUSTAINABILITY IN
OUR OPERATIONS

SUSTAINABILITY IN
OUR PRODUCTS

OUR PEOPLE

OUR COMMUNITY

SPURRING SUSTAINABLE GROWTH IN SAUDI ARABIA:
SPOTLIGHT ON AL-JUBAIL & YANBU (CONTINUED)

THE ROLE OF SABIC

SABIC has played a key role in the sustainable development of both Al-Jubail and Yanbu. Most of our manufacturing complexes are operated by affiliates based in Al-Jubail, and they are committed to exploring process improvements which help us go beyond compliance with the already comprehensive environmental monitoring program of the Royal Commission.

IMPROVING AIR QUALITY

The employment of state-of-the-art low-emission technology at our manufacturing facilities has helped reduce combustion-based particulate contributions in Al-Jubail and Yanbu.

REUSING WASTE MATERIALS

We focus heavily on utilizing process byproducts.

REDUCING WASTEWATER DISCHARGE AND WATER USE

At our Saudi Kayan complex, for example, the utmost care is taken not to discharge wastewater into the marine environment.

OPTIMIZING TRANSPORTATION

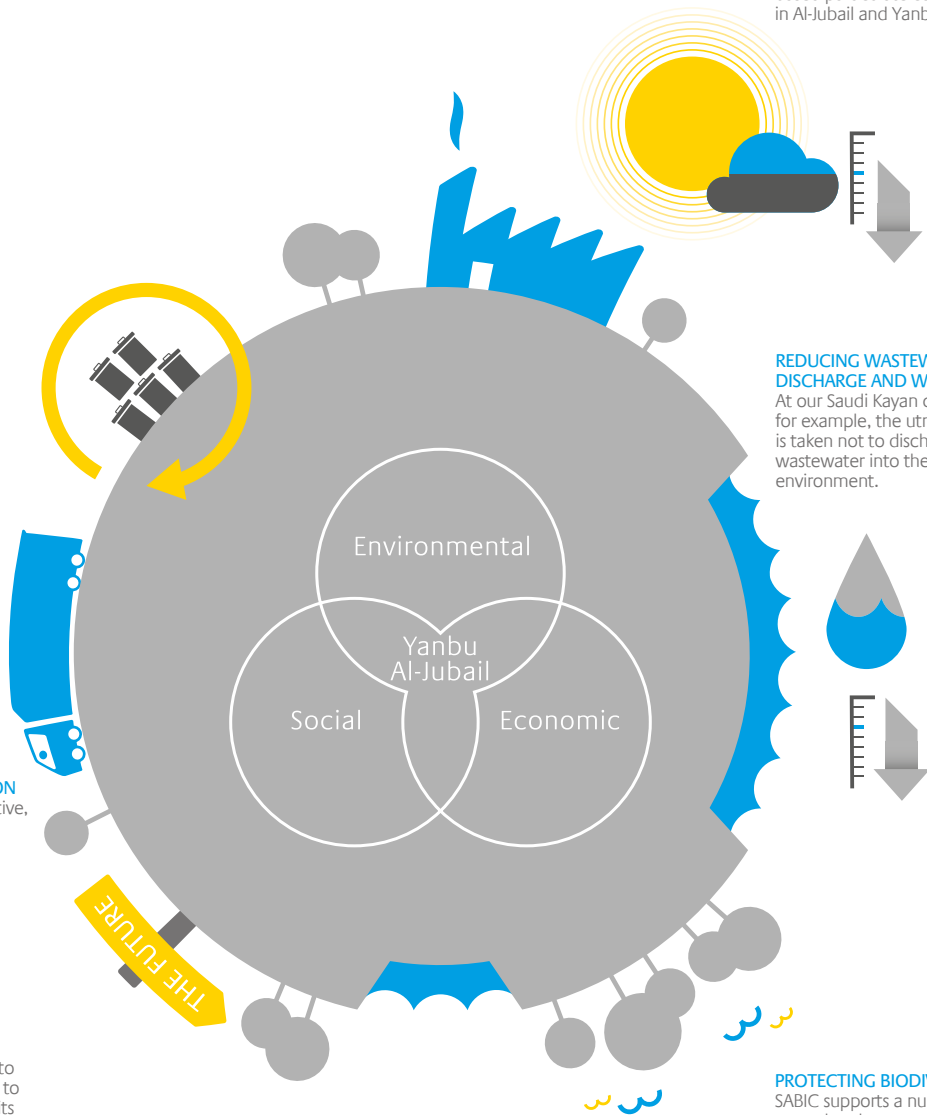
Our global supply chain initiative, EMDAD, launched in 2007.

THE FUTURE

Al-Jubail and Yanbu continue to grow and will remain integral to helping our company realize its vision to be the preferred world leader in chemicals.

PROTECTING BIODIVERSITY

SABIC supports a number of natural and man-made habitats that support wildlife and migrating birds.



IMPROVING AIR QUALITY

The employment of state-of-the-art low-emission technology at our manufacturing facilities has helped reduce combustion-based particulate contributions in Al-Jubail. For example, HADEED, a wholly owned affiliate of SABIC, has replaced CFC gases with environmentally safer alternatives, and the installation of a de-dusting plant counters the effects on air quality caused by increased production. Additionally, leak-detection and repair-monitoring programs are now used to identify and rectify emissions of volatile organic compounds.

REDUCING WASTEWATER DISCHARGE AND WATER USE

At our Saudi Kayan complex, for example, the utmost care is taken not to discharge wastewater into the marine environment. Efforts are also made to reduce the amount of cooling water required in our plants through the use of re-circulated seawater and cooling towers.

PROTECTING BIODIVERSITY

SABIC supports a number of natural and man-made habitats that support wildlife and migrating birds. For example, Sabkhat Al-Fasl, a man-made wetland that has the largest density and diversity of migratory waterfowl known along the Saudi Arabian Gulf coast, has been identified as an Important Bird Area in the Middle East. Given our industrial activities, a SABIC biodiversity committee oversees the protection of indigenous flora and fauna.

REUSING WASTE MATERIALS

We focus heavily on utilizing process byproducts (such as steam) onsite as feedstock for other processes or to supply local downstream industries. Optimization of our steam system at our Petrokemya affiliate, for example, has reduced excess steam by more than 60 percent.

OPTIMIZING TRANSPORTATION

Our global supply chain initiative, EMDAD, launched in 2007, has, among many other achievements, developed the local logistics infrastructure in Al-Jubail, decreasing the number of heavy vehicles on the roads, thus benefiting the local population through reduced traffic, pollution, and road damage, and improving road safety at the same time. Reactivating the Al-Jubail port, for example, eliminated the 180km round trip journey for trucks from Al-Jubail to the Dammam port. It has also enabled more efficient use of land and marine transportation, which helps reduce carbon emissions. By eliminating 300,000 round-trip journeys by truck each year from the roads of Al-Jubail and Yanbu, CO₂ emissions will be reduced by an estimated 75,000MT or more.

THE FUTURE

Al-Jubail and Yanbu continue to grow and will remain integral to helping our company realize its vision to be the preferred world leader in chemicals. By 2030, the population of Al-Jubail is expected to double. Further investment will be required in the city's infrastructure to accommodate such growth. We recognize that Saudi Arabia's future depends on creating an environment for entrepreneurial activity to flourish, and SABIC is engaged and is pursuing an aggressive strategy toward this end. In Al-Jubail and Yanbu, this means continuing to invest in new technology applications, in our affiliates, and in the creation of downstream industry clusters.



Technology at our facilities has helped reduce combustion-based particulate emissions.



Sabkhat Al-Fasl has the largest diversity of migratory waterfowl along the Saudi Arabian Gulf.



The utmost care is taken not to discharge wastewater into the marine environment.



Our global supply chain initiative, EMDAD, launched in 2007.

ETHICS AND COMPLIANCE

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

Over the past two years, as part of creating one integrated global company, we adopted an approach to ethics, integrity, and compliance that creates one global system. This approach considers regional variations, and has been tailored to address our most important compliance priorities given our customers, products, and geographies of operation.

SABIC CODE OF ETHICS

Our Code of Ethics provides a unified foundation for growth under SABIC's core values. We require every SABIC employee to read and understand the Code, and to comply with its policies – both in letter and spirit – in everything he or she does.

Our Code consists of 13 policies covering three broad areas: our global environment, our workplace, and protecting our assets. These policies reflect our commitment to integrity and corporate responsibility, and are intended to:

- Inspire our employees by empowering them with a clear and common understanding of the ethical boundaries in which we must operate.
- Engage our diverse workforce by ensuring that we maintain a respectful and welcoming work environment.
- Create a sustainable compliance and integrity framework to support innovation in products, processes, and solutions in a highly regulated world.
- Deliver growth by earning the trust of our employees, customers, and business partners that we will always conduct business with uncompromising integrity.

CHALLENGES AND OPPORTUNITIES

Challenges

Meeting all regional requirements, expectations, and standards.

Ensuring that our ethics, integrity, and compliance processes are well understood and used by our employees and other stakeholders.

Addressing all compliance concerns within an appropriate timeframe.

Opportunities

Enabling sustainable growth through high standards of ethics, integrity, and compliance.

Reducing financial and reputational risks arising from non-compliance or ethics violations.

Reinforcing the confidence that employees, business partners, governments, communities, and customers have in SABIC.

We are committed to the highest standards of ethics, integrity, and compliance every day, in every transaction, and everywhere we do business.



KEY PRIORITIES AND RISKS

Effective implementation of our Code of Ethics requires that we have a thorough understanding of our greatest compliance risks, given our product, service, operational, and geographical profile. We have identified the following as some of our key legal and compliance risks:

Trade protectionism and anti-dumping: We follow all international trade control laws and regulations in all of the countries in which we operate. More specifically, our anti-dumping monitoring and defense program includes various resources for employees, including: an internal anti-dumping manual and associated procedures, training, and a cost and price monitoring program within our resource planning system. We also receive guidance from experts in our Legal Affairs department to mitigate risk in this area.

Competition laws (antitrust): Every person who conducts business at SABIC is responsible for having an understanding of how competition laws apply to his or her activities. Employees are trained regularly on the risk areas of competition law most relevant to SABIC.

Anti-bribery: All employees must fully comply with SABIC-wide Anti-Bribery Guidelines and undergo training.

Conflicts of interest: All legitimate financial, business, and other activities conducted outside employees' work for SABIC must be lawful and carried out in a manner that does not conflict with employees' job responsibilities for SABIC.

Employment law: We observe all applicable labor and employment laws where we operate. This includes observing those laws that pertain to freedom of association; privacy; recognition of the right to engage in collective bargaining; the prohibition of forced, compulsory and child labor; and laws pertaining to the elimination of any improper employment discrimination.

SABIC LEADERSHIP ON ANTI-CORRUPTION

In recent years, SABIC has taken a central role in the fight against corruption. Its primary form of influence is through the Vice-Chairman and CEO's leadership position – along with ten other corporate members – in the Business 20 (B20) Working Group VII focused on anti-corruption. The B20 is part of the G20 Summit, whose purpose is to develop recommendations for and issue relevant commitments from business leaders and business organizations on anti-corruption and other issues including economic policies, commodities and raw materials, global governance, financial regulation, development and food security, trade and investment, energy, the international monetary system, employment and social dimension, information communications, technology and innovation, and green growth.

Since first convening in Seoul in 2010, Presidents of the business confederations of the G20 countries, as well as 120 CEOs and Chairmen from a number of global companies, have been collaborating in working groups related to the 12 issues mentioned above to develop concrete recommendations. These proposals will be taken into account in the G20's final conclusions when it meets next during 2012.

To move the global fight against corruption forward, the Working Group VII developed four main recommendations, including:

1. Creating a G20 / B20 joint platform, supported by an explicit business commitment and accountable to G20 and B20 leaders, to maintain an ongoing, multiyear dialogue.

2. Developing G20 governmental commitments to ratify, enforce, and monitor implementation of the OECD and UN conventions on anti-corruption; support negotiations within the WTO for a multilateral agreement on standards for procedures and transparency in government procurement; incentivize enterprises to establish effective policies and procedures to prevent corruption; and recognize public bodies and officials that demonstrate leadership in fighting corruption.

3. Identifying and launching appropriate collective-action processes to address problems linked to specific country or regional contexts and industry sectors. This includes sharing best practices, training materials, and resources among various sector-specific initiatives, public-sector entities, and small- to medium-sized entities.

4. Working with government to raise awareness of the costs and risks of corruption, especially by promoting education on ethics and business integrity at all levels of public and private education.

An informal survey of companies represented in Working Group VII shows that whistleblower reporting mechanisms and protection – where provided – are, in many cases, clearly articulated as part of companies' internal controls in their ethics and compliance programs.

SABIC, for its part, includes in its Code of Ethics a special section on reporting compliance concerns. Our decision to join UN Global Compact this year further underscores our commitment to stamping out corruption in global business.

CODE OF ETHICS TRAINING AND COMMUNICATION

In support of greater employee understanding and engagement with our ethics, integrity, and compliance processes, we ask every SABIC employee to acknowledge their understanding of the Code of Ethics annually and to complete assigned training on the policies contained in the Code of Ethics.

Our leaders are responsible for establishing systems to prevent, detect, and respond to compliance issues, and for creating a culture of compliance where they lead by example. Leaders attend training sessions to acquire the tools they need to drive a strong compliance culture. Our leadership team also issues frequent all-employee communications on compliance responsibilities, and compliance is consistently made an agenda item at staff meetings.

In an effort to better equip employees to recognize and respond to increasingly complex compliance challenges, our company's legal team developed a comprehensive web-

based compliance training program. This program reviews each Code of Ethics policy in detail, and includes questions that must be answered correctly to show understanding of the requirements.

Currently, our company requires that all employees take four General Awareness courses on the basics of all of the policies. In addition, there are another 31 advanced courses that are more detailed and are assigned to employees based on their roles within the company. This approach allows employees to complete training with a particular focus on those compliance policies and practices that pertain most directly to the issues they face in performing their job duties.

Our employees are required to take an average of about 15 advanced courses during a two-year training cycle. Several of our compliance courses are available in the languages most commonly used by our employees. In 2011, the rate for the completion of required training was more than 99 percent.

In addition to Code of Ethics specific training, we also conduct live training on specific high-risk areas such as EHSS, international trade, competition laws, compliance, and intellectual property protection. In 2011, more than 3,500 employees were trained in these specific risk areas.

Several web-based tools also enhance the robustness of our compliance program. For example, our watch-list screening system screens orders to ensure that we comply with all applicable government sanctions and trade restrictions, and to ensure that we are only doing business with reputable entities.

We also invested in several efforts this year to share best practices and leverage auditors' expertise in areas like Code of Ethics, fraud / forensics, assessments, and anti-dumping. An internal quality self-assessment to check processes against international standards produced positive results, and an external review will follow later this year, which we hope will add independent third-party endorsement.

In 2011 more than 3,500 employees were trained in specific high-risk areas such as EHSS, international trade, antitrust, compliance, and intellectual property.





Our robust compliance culture depends on effective mechanisms that encourage employees to speak up and raise actual or potential compliance concerns.

RAISING CONCERNS

Our robust compliance culture depends on effective mechanisms that encourage employees to speak up and raise actual or potential compliance concerns. We ask employees to report any compliance concerns through one of the many available channels, and we strictly prohibit retaliation of any kind against anyone for raising or helping to address a compliance concern.

Our compliance process consists of three key components:

Compliance Helpline Leaders:

To promote an atmosphere where our employees feel free to raise concerns without fear of retaliation, we have established a global organization of Compliance Helpline Leaders who are responsible for receiving concerns and ensuring that all concerns are properly investigated and addressed. Employees can also raise concerns with any manager or with the Human Resources or Legal departments.

Compliance Review: In 2010, we initiated a global compliance-review program for the entire company. The process includes a “Bottom-Up Review,” during which each manager must meet with his / her direct reports to review policies in the Code of Ethics and encourage employees to freely raise compliance concerns without fear of retaliation, and a “Top-Down Review” for enterprise risks. The results of these reviews are discussed by management and risk-mitigation plans are developed and tracked for the highest priority risks. These plans include assigning the responsibility for mitigation actions to particular individuals, with required dates for completion. The progress toward completion of the plans is tracked on a monthly basis, through a digitized system tracker and is also discussed at the periodic meetings of the Compliance Review Boards.

Compliance Review Boards: Oversight of SABIC’s compliance program is performed by a network of regional Compliance Review Boards. These Boards meet periodically to identify any new significant compliance concerns, review the activities of the Compliance Helpline Leaders, and monitor the completion of the integrity training required of our employees.

A summary of compliance issues raised and actions taken is reported to the SABIC Risk Management Committee, which comprises members of the SABIC Executive Committee and reports to that Committee.

OUR AMBITION

We will continue to track and review our success in increasing the awareness and application of the Code of Ethics among our global employee base. This will include regularly assessing the effectiveness of our compliance hotline across all of our operations.

SUSTAINABILITY IN OUR OPERATIONS

SABIC was founded to derive valuable basic materials from the natural gas in Saudi Arabia that was too often flared. This in itself has enhanced the environmental and resource sustainability of our industry, and we are committed to further reduce our environmental impact and to use finite natural resources sustainably throughout our production processes.

To support this objective we are integrating a number of previously separate environmental management systems into a unified approach to improve our performance in the effective use of energy, water, and materials, and our GHG output. We also apply health, safety, and security processes and systems consistent with global standards.

MANAGEMENT SYSTEMS

We believe that taking a holistic approach to environment, health, safety, and security (EHSS) management will help us achieve our vision of being the “Preferred World Leader in Chemicals.”

SABIC’s Global EHSS organization oversees our global Safety, Health and Environmental Management Standards (SHEMS) and provides systematic requirements and guidance for all SABIC facilities to manage process safety, environment, health, occupational safety, security, and emergency preparedness. Through SHEMS, we conduct exhaustive annual audits to assure our compliance and to make sure that our operations safeguard our employees, contractors, neighbors, and the wider community. Audit results are reviewed annually, and the best-performing sites and operations are recognized with awards from Vice-Chairman and CEO.

We work closely in Saudi Arabia with local agencies such as the Royal Commission for Al-Jubail and Yanbu, the Presidency of Meteorology and Environment, the King Abdulaziz City

CHALLENGES AND OPPORTUNITIES

Challenges

Meeting the different and continuously expanding range of customer expectations in every region where we operate.

Developing processes that effectively use key resources, including water, which is under particular pressure in regions such as the Middle East and the subject of growing concern globally.

Complying with regional variations in legal requirements, such as the Restriction of Hazardous Substances Directive in Europe and the Toxic Substances Control Act in the United States.

Developing company-wide management systems to monitor and report our EHSS performance.

Opportunities

Implementing new technologies and processes to reduce greenhouse gas (GHG) emissions, and water and energy consumptions, which also reduce our costs and boost our competitiveness Opportunities.

Identifying new techniques to reuse our byproducts to reduce waste and increase material effectiveness.

Stimulating more “breakthrough” programs with significant impacts on our environmental impact reduction goals.

for Science and Technology, and a range of other international organizations in efforts to reduce our environmental impacts.

As a minimum, our management systems meet the requirements of the international standard for quality management systems (ISO 9001). Currently, approximately 80 percent of our total number of manufacturing facilities, including our headquarters, have been certified ISO 14001:2004. We also audit the environmental management systems of all SABIC Affiliate Companies against the requirements of our environmental management system standards at least once every three years. The implementation of these management systems is designed to continuously improve our environmental performance, ensure regulatory compliance and minimise impacts outside of our facilities.

We also support Responsible Care® – the chemical industry’s global initiative that drives continuous improvement in environment, health, safety, and security performance – and we have received

the Responsible Care® multi-site accreditation and RC14001:2008 certification. RC14001 enables us to obtain, through an application and audit process, a certification that our management system conforms to both the ISO 14001 standard and American Chemistry Council’s Responsible Care® requirements. We aim to have all large chemical sites fully implementing Responsible Care® by 2014.

SABIC’s operations in Saudi Arabia have all successfully achieved Responsible Care® standard RC14001.



LEADERSHIP ON RESPONSIBLE CARE®

Our companywide commitment to Responsible Care® – the chemical industry's global initiative that drives continuous improvement in environment, health, safety, and security performance – helps us use resources more efficiently; track, reduce, and report on environmental performance; manage chemicals safely; engage stakeholders and address their expectations; and support national and global governance processes.

In 2011, we demonstrated solid achievements with regard to Responsible Care®. SABIC's Chief Executive Officer, as Chairman of the Gulf Petrochemical and Chemical Association (GPCA), provided strong leadership to Middle East companies through GPCA to establish a commitment to and compliance with Responsible Care® principles and requirements.

SABIC's operations in Saudi Arabia have all successfully achieved Responsible Care® standard RC14001 certification by a third-party audit. At the same time, major efforts are under way to achieve RC14001 certification at our chemical processing affiliates / sites worldwide, many of whom are already affiliated with Responsible Care® programs of their national chemical industry associations. To achieve this goal, we are delivering awareness training, documentation, self-assessment processes, implementation workshops and training of a network of suitably qualified auditors to support our global Responsible Care® Program.

DELIVERING RESPONSIBLE CARE® OUTPUTS

SABIC's approach to product stewardship is a key component of our commitment to Responsible Care®, through which we aim to add business value across the global supply chain through safe, compliant, and sustainable solutions. Our Product Stewardship team – which reports to our Global Leader of EHSS – specializes in regulatory affairs, product safety, toxicology, and stewardship analytics. The team's role is to understand and identify the health and environmental risks of the raw materials we manufacture or use as well as the lifecycle impacts of the products made from these materials.

These risks are then appropriately communicated along with recognized remediation practices to both internal and external stakeholders through safety data sheets and product safety summaries. The team also plays a key role in understanding and communicating government and customer expectations on product composition and reporting requirements in order to assist each of our business units to obtain clearance to manufacture and / or sell products in various geographies and markets. The team's involvement in internal committees and trade groups is designed to ensure fair product regulatory developments while also working to enhance our EHSS culture by setting internal standards and supporting new management systems and tools.

During 2011, we pursued a number of product stewardship initiatives to deliver safe, compliant and sustainable solutions. A selection is included below:

- We initiated a multi-year program to develop and implement Product Stewardship SHEMS to bring consistency to our product compliance policies and initiatives globally.
- Product Stewardship audits of our manufacturing sites and business operations were expanded to include Middle Eastern assets.
- The Regulatory Affairs team restructured the process to monitor global chemical and product regulations to improve coverage and bring pertinent matters to the attention of business leadership.
- The Product Safety team met the new global hazard communication requirements of GHS including EU CLP for SABIC® products.
- Support of Responsible Care® initiatives in the Middle East was provided by participating in the development of the GPCA product stewardship code.
- We developed Product Safety Summaries to meet the obligations of Responsible Care® for Innovative Plastics.
- Product Stewardship implemented a new risk assessment process for all SABIC® products to understand new hazard and regulatory impacts, and so guide our business units in product planning, development of sustainability initiatives, and the identification of high priority products under Responsible Care®.
- A Product Stewardship Code of Ethics module was established for training SABIC employees. Regional training programs for relevant functions and employees are held to enhance awareness of product compliance.

Responsible Care® is a registered service mark of American Chemistry Council, Inc.

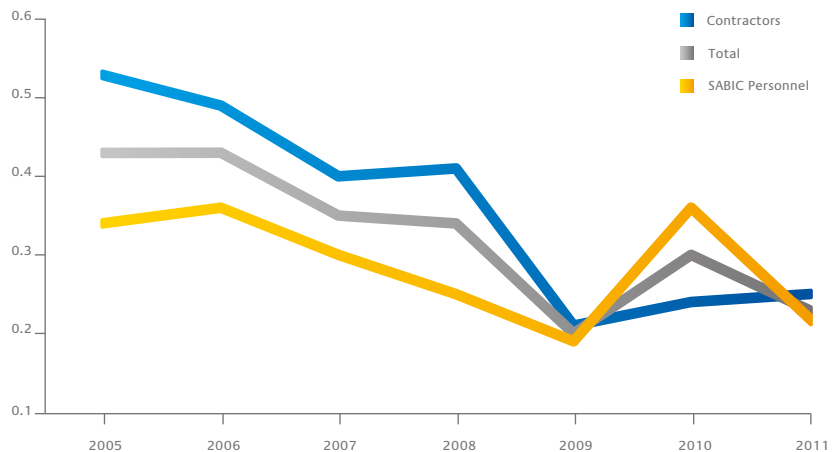
HEALTH & SAFETY

All our facilities have been built to comply with the strictest international safety requirements, and we work with all our partners and affiliates to make sure they maintain the highest safety standards.

We address issues of safety in the workplace by providing training and appropriate equipment as well as by carrying out regular audits, inspections, and reviews. We are active in promoting safety in the communities surrounding our facilities, and organize safety awareness events such as local Safety Days.

The drive to learn from incidents is embedded within SABIC's EHSS systems and processes. We ensure that not only incidents and lessons learned at our own facilities are shared widely across SABIC, but also that incidents from other organizations are shared and viewed as opportunities for learning and improvement.

RECORDABLE INCIDENT RATE



We use a Recordable Incidence Rate metric, modeled on the widely accepted U.S. OSHA standard, to evaluate our safety performance. For direct hire employees, this index dropped from 0.34 in 2005 to 0.22 in 2011, which shows a 35 percent reduction. The OSHA Incidence Rate including contractor employees has also dropped from 0.53 in 2005 to 0.25 in 2011 — a 53 percent reduction.

We address issues of safety in the workplace by providing training and appropriate equipment.



EHSS INCIDENT RATE

The health and safety of all personnel working within our facilities and businesses is a critical issue for SABIC. Consequently health and safety are included as components in our overall EHSS performance measure, which is evaluated using an index known as SHER (EHSS Incident Rate). This measure was developed by SABIC to include all types of EHSS incidents, including those involving injuries, process safety, occupational health, environment, and security. SHER rate is calculated based on the working hours of our combined employee and contractor workforce SHER and factors the severity of reported incidents, helping us focus our efforts on the most critical issues.

Our SHER rate has also dropped significantly – from 3.55 in 2005 to 1.05 in 2011, a 70 percent reduction.

EHSS AWARDS

To encourage the highest levels of EHSS performance throughout all of our operations, we recognize the SABIC entities or sites that have exhibited exceptional health and safety performance over the past year. Candidates are assigned a score on a range of criteria such as leadership involvement, regulatory compliance, ISO 14001 certification, and natural resources conservation.

Any site that receives a safety incident of the most severe classification is immediately disqualified from the award process. After sites submit their performance figures, they are audited to ensure accuracy of data. Awards are given to the entities that meet the eligibility criteria and score the highest points after the audit.

The winners are announced at the EHSS & Reliability Awards Ceremony, which is a prestigious event attended by senior management from all of SABIC's worldwide affiliates as well as senior government officials and dignitaries.

2011 EHSS AWARD WINNERS

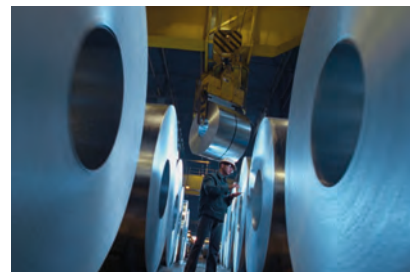
Gold: Al-Jubail Petrochemical Company KEMYA

Silver: Saudi Iron and Steel Company HADEED

Bronze: Saudi European Petrochemical Company Ibn Zahr



Gold award winners: Al-Jubail Petrochemical Company KEMYA.



Silver award winners: Saudi Iron and Steel Company HADEED.



Bronze award winners: Saudi European Petrochemical Company Ibn Zahr.

OUR AMBITION

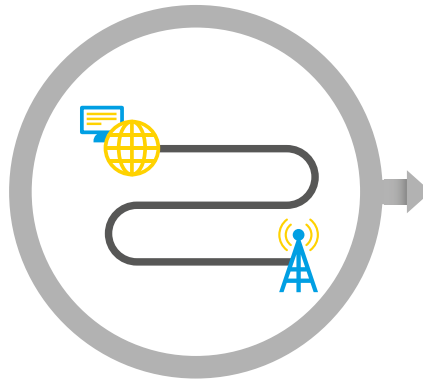
Through the development of a world-class EHSS culture, supported by training, equipment safety, regular audits, inspections, and reviews, we will continue to reduce the occurrence of our most severe classes of incidents, and our underlying recordable incidence and SHER rates. Our ambition is to always be best-in-class for EHSS performance in the chemical industry.

CREATING A WORLD-CLASS SUSTAINABLE AND RESPONSIBLE SUPPLY CHAIN

SABIC transports more than 60 million MT of products annually, so increasing the efficiency of our supply chain can bring significant environmental, economic, and societal benefits.

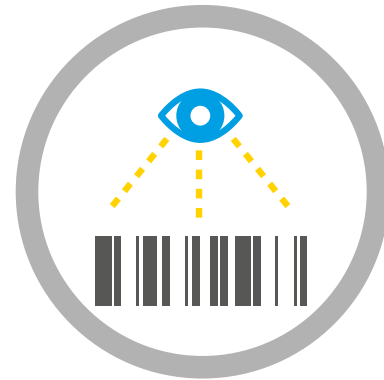
EMDAD – a complex supply chain transformation project that launched in 2007 and transformed into SABIC's current Global Supply Chain Center of Excellence – refocused our supply chain around customers. The program improved coordination and decision-making to optimize costs; strengthened customer service; and ensured a highly efficient, safer, and lower-environmental impact product journey from production to customer delivery.

EMDAD program components that are now part of SABIC's supply management approach include:



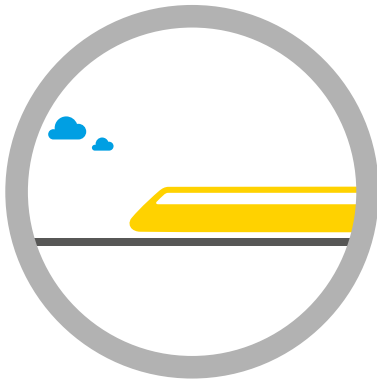
ADVANCED PLANNING SYSTEMS

Implementing advanced planning systems that use mathematical algorithms to bring together a full global view of production, order demand, and logistics capabilities to ensure full utilization of vessel capacity, optimize the flow of goods, and minimize the use of energy and resources. For example, SABIC's systems ensure full utilization of vessel capacity through planning tools that result in reduced vessel demand and traffic.



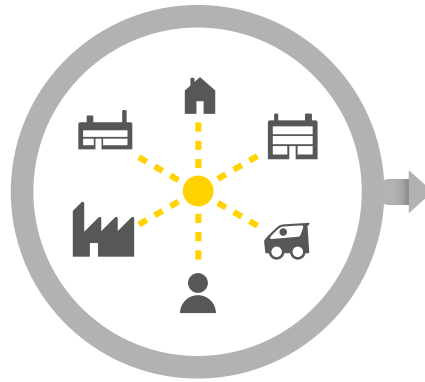
INVENTORY VISIBILITY

Enabling customer efficiencies through technology that provides full inventory visibility, real-time order confirmation, and all the benefits of a leading e-commerce solution. From the moment a bar code goes on a package, SABIC's system tracks inventory and ensures it matches with delivery requirements and logistic capabilities. A communication hub offers logistics service providers an interactive information flow to facilitate planning and enhance reliability. This visibility lets SABIC commit to delivery dates at the time of order and ensures that product can be tracked at every step of its journey from the plant gates to the customer.



INFRASTRUCTURE DEVELOPMENT

Optimizing physical assets through the development of infrastructure that increases the efficiency of plant-to-port transportation while reducing highway traffic, emissions, and fuel usage. The key elements of this infrastructure optimization include: port reactivation, port-side logistics facility, truck terminals, railway implementation, and the introduction of a new generation of more environmentally friendly vessels. For example, the introduction of a rail network will reduce the dependence on trucks for long-haul delivery and reduce emissions, while the use of larger vessels to consolidate shipments over efficient routes will reduce the environmental impact of shipments.



LOGISTICS

Using logistics modeling to increase efficiency by employing the latest tools to optimize warehouse and terminal locations, size, and transportation between distribution nodes. Logistics modeling helps SABIC determine the best locations for hubs, terminals and warehouses to serve customers in the most sustainable way and choose the best transportation method, route and means to connect between production sites and targeted markets. SABIC estimates this will reduce the need to increase the size of warehouses and physical inventory growth by up to 50 percent.

As a result of these improved processes, better planning, higher level of automation, and a stronger e-Business platform, we're achieving lower lead times, reduced waste, fewer errors, and lower costs.

We are now positioned to deliver increased value to stakeholders and customers by ensuring the delivery of the right product to the right place at the right time in a safe and sustainable manner.

The EMDAD legacy of driving a strategic supply chain now continues with the creation of SABIC's Global Supply Chain Center of Excellence, whose mission is to continue EMDAD's momentum on supply chain innovation, performance improvement, and Responsible Care®.



COMMUNICATION & TRAINING

Employing transformational change management across SABIC by implementing a program for communication, training, and skill-building among employees. In conjunction with SABIC Learning and Development, more than 29,000 hours of training have been delivered through 137 courses to more than 1,100 global employees to build the expertise and capabilities required for these improved operations.

CHEMICALS

Chemicals developed a project which focuses on continuously increasing performance in safe, secure, and sustainable product delivery. This critical initiative examines the key risk factors, impacts, and incidents that can occur in transport and storage to proactively improve capabilities and reduce GHG emissions from supply chain activities by a forecasted 7 percent by 2014. Additionally, enhanced requirements for vendors that provide vehicles, railcars, and vessels will provide increased assurance of safety in transporting our products.

GLOBAL ENVIRONMENTAL PERFORMANCE

We are focused on reducing the intensity of our global operational footprint, particularly our greenhouse gas emissions, energy consumption, water use, and material losses (process wastes) per unit of Product Sales volume external to SABIC. Improving these elements of our footprint will help to protect the environment we live in, improve our operating costs, make more efficient use of our hydrocarbon resources, and make our products a more sustainable and attractive offering to our customers.

Over the past two years, we have put in place the data collection and management systems that have enabled us to establish targets for short- and long-term intensity reductions in our greenhouse gas (GHG) emissions, energy use, water use, and material loss. We regularly review the progress of each manufacturing site and SBU against these KPIs, assess the companywide pipeline of potential environmental impact reduction projects, and spread best environmental practices across SABIC.

Our target year for achieving our key performance goals is 2025 and we will measure improvements against the 2010 base year. We agreed on this time horizon for performance improvements

in order to allow ourselves the time to focus our efforts on new technologies, major transformational changes, and breakthrough opportunities that will have a significant material impact. Our 2025 goals are also aligned with SABIC's overall corporate strategy and will motivate innovation, increasing our potential to be the "preferred supplier." It also demonstrates our long-term commitment to environmental performance improvements and better positions our company to meet the material uncertainties and expectations of 2025.

From now onwards, we will be reporting our progress toward meeting these goals on an annual basis.

Innovative Plastics: Cartagena.



GHG emissions and climate change are among the world's most pressing concerns. Saudi Arabia ratified the United Nations Framework Convention on Climate Change in December 1994, aimed at stabilizing the GHG concentrations in the atmosphere at a level that would prevent significant potential changes to the global climate.

Although Saudi Arabia's developing country status means that the country is not required to stabilize its GHG emissions, SABIC is committed to playing our part by developing low-carbon solutions to today's global energy and climate change challenges, and by meeting our customers' growing expectations that GHG emissions are reduced, while energy and material efficiencies are increased, over the entire product lifecycle.

We achieve these expectations by reducing the environmental impacts of the processes used to make our products, and by creating products that allow our customers to reduce their own emissions as well as those of their customers.



Greenhouse gas emissions are tracked worldwide.

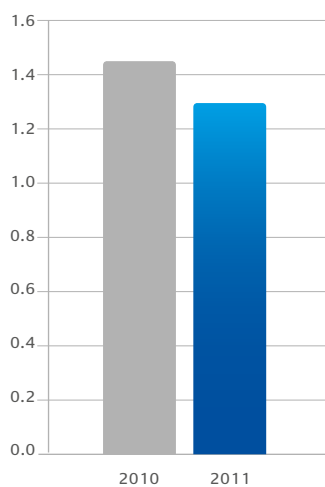
GREENHOUSE GAS EMISSIONS

We track direct and indirect GHG emissions and energy usage for our manufacturing facilities worldwide using the GHG Protocol, developed by the World Resources Institute and WBCSD. This protocol is the most widely used international accounting tool to understand, quantify, and manage GHG emissions. We also follow the Petroleum Industry Guidelines for Reporting GHG Emissions published by API/IPIECA/OGP.

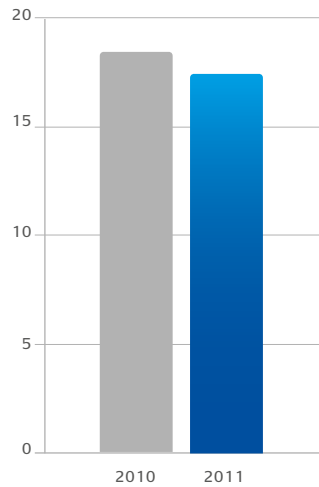
Following the GHG Protocol guidance, SABIC uses financial control (which is aligned with our financial consolidation) as the criteria for inclusion in the intensity-based goals and for reporting absolute emissions. Our total absolute GHG emissions in 2011 were 58.8 million MT CO₂ eq, using the financial control boundary, compared to the base year emissions of 59.0 million MT CO₂ eq and our total energy use in 2011 was 776 million GJ, compared to base year usage of 767 million GJ.

Many of the sites that SABIC operates and financially controls are owned together with our partners. To give stakeholders a view of this impact, we are also communicating that our absolute GHG footprint calculated, based on an equity share boundary, was 41.5 million MT CO₂ eq for the base year of 2010 and 41.3 million MT CO₂ eq for calendar year 2011. SABIC's share of our equity-based footprint for the other KPIs would also be approximately two-thirds of each absolute value reported based on the financial consolidation control boundary.

GREENHOUSE GAS INTENSITY (MT CO₂ eq/MT Product Sales)



ENERGY INTENSITY (GJ/MT Product Sales)



GLOBAL ENVIRONMENTAL PERFORMANCE (CONTINUED)

SABIC's absolute GHG footprint includes both Scope 1 and 2 emissions, which are noted in this table:

REPORTING YEAR	GHG EMISSIONS (MILLION MT CO ₂ eq)	
	Scope 1	Scope 2
2010	39.5	19.5
2011	38.6	20.2

SABIC combines emissions of relevant HFCs, PFCs and SF6 into one category called F-gases. Gases that are included in the Montreal Protocol are not included in this category. As indicated in the table, these account for a relatively minor percentage of our emissions. Emissions for other gases included in the Kyoto Protocol are provided.

REPORTING YEAR	GHG EMISSIONS (MILLION MT CO ₂ eq)			
	CO ₂	CH ₄	N ₂ O	F-gases
2010	58.6	0.1	0.0	0.3
2011	58.4	0.1	0.0	0.3

Our GHG – and energy-reduction strategy – is based on a combination of energy conservation actions and capital projects aimed at securing the greatest environmental and financial return on investment. Between 2009 and 2011, we implemented a number of energy efficiency and GHG-reduction projects. For example, our recent efforts have included major projects such as re-tubing furnaces and recovering CO₂ from ammonia plants. Other examples include the use of high-efficiency motors, replacing steam insulation equipment, and using high-efficiency fluorescent lamp fixtures.

IMPROVING MANUFACTURING ASSETS

A key element of reducing environmental footprint is recognition of the many opportunities to improve manufacturing assets. The following examples illustrate actions taken by SABIC's manufacturing and engineering resources that contributed to footprint improvements in 2011.

JUBAIL, SAUDI ARABIA SITES' REUTILIZATION OF PROCESS VENT GASES

Jubail area manufacturing sites have decreased GHG emissions and improved energy efficiency by adopting best practices for process vent gas reutilization, enhanced boiler efficiency and improved monitoring systems for energy usage and steam distribution. Process vent gas reutilization projects were executed by three Jubail affiliates: the benzene unit in Petrokemya, the polypropylene and HDPE units in Saudi Kayan, and the styrene unit in Sadaf. Those projects reduced GHG by 125,000 MT of GHG emissions and saved 784,000 GJ of energy annually.

ENERGY AND GHG REDUCTIONS: A SUCCESS STORY IN YANBU, SAUDI ARABIA

In March 2010, Yanbu National Petrochemicals Co (Yansab) established commercial operation with a focus on efficient utilization of finite natural resources. In the Yansab Olefins plant, a high pressure steam extraction reliability project resulted in more than

a 30 percent increase in steam extraction. The total impact was an impressive 1,040,000 MT/year of additional steam, 99,000 MT/year of saved natural gas, 4,160,000 GJ/year of reduced energy consumption and 229,000 MT CO₂ eq/year of lower GHG emissions.

SELKIRK SITE GHG REDUCTION AWARDS

The Selkirk, New York, site won a sustainability award from the American Chemistry Council for installing a steam turbine electric generator to convert lost steam energy into power. Site usage of the generated electricity eliminates 3,850 MT of GHG emissions annually. The site also won a corporate award for reducing GHG emissions by approximately 7 percent by implementing projects such as converting to lower carbon fuels and increasing real-time process monitoring.

OUR AMBITION

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

Most of our improvements to date have come from better operating conditions and projects that are easily supported from a capital-intensity viewpoint. To reach our longer-range targets, we will need much larger and more strategic energy-reduction projects at our manufacturing sites. These projects will have longer payback times and reflect our long-term commitment to reducing our energy footprint. We will also integrate stronger consideration of energy efficiency and GHG intensity into the design of our new plants and continue to implement an extensive network of energy- and emissions-tracking systems to help us minimize our impacts.

WATER USE

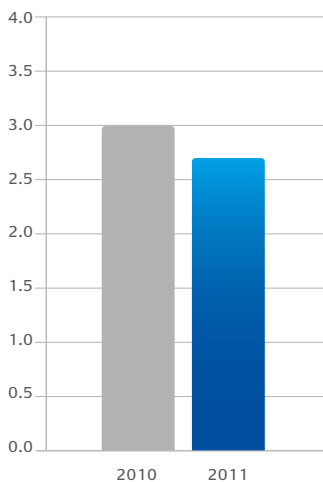
Water is an increasingly scarce resource around the world, especially in arid regions like Saudi Arabia. Even in regions with historically abundant water sources, pressure is growing to ensure efficient water usage and clean water discharge.

Our total fresh water usage in 2011 was 124 million m³ compared to 125 million m³ in 2010.

Our water management strategy aims to ensure that wastewater discharge streams are treated and / or properly protected to comply with discharge limitations. Most of the water used in our manufacturing operations is recycled for cooling to minimize water usage and is treated prior to discharge to minimize the overall environmental impact.

We monitor discharge parameters such as effluent temperature and organic concentrations to help reduce any impacts of our water discharge on marine life, local flora, and fauna.

WATER INTENSITY (m³ water / MT Product Sales)



The Jubail plant uses a seawater cooling system.

We have implemented several water conservation and reduction projects in our plants located in water-scarce regions such as Saudi Arabia, Spain, and Brazil, among others. For example, we have implemented steam-reduction and condensate-recovery projects, increased wastewater recycling at plants, and utilized reclaimed sanitary wastewater for irrigation purposes rather than using additional fresh water.

Our water-treatment processes focus on upstream contaminant reduction in addition to effluent treatment. All sites are expected to implement storm water pollution prevention plans that contain preventive steps such as preventive work practices, secondary containment, inspections, and response capability. Training is provided to sites through general awareness training modules in addition to site-specific training.

AL-JUBAIL AND YANBU

In order to minimize desalinated water usage, we developed a seawater cooling system for the heavy industries in Al-Jubail and Yanbu. This utility service provides an uninterrupted supply of seawater for process cooling. This system – which is unique to our operations – was purposefully designed to save water, minimize damage to plant equipment, and prevent any possible toxic chemical leaks to the seawater environment.

CAMPINAS, BRAZIL WATER USAGE REDUCTION

By checking old underground water supply pipes, improving pipeline integrity, and reusing treated industrial wastewater, this site reported a 20 percent decrease in water usage while increasing production by 16 percent between 2009 and 2010.

CARTAGENA, SPAIN WATER USAGE REDUCTION

In the Murcia region of Spain, water is relatively scarce. In response, our Innovative Plastics' Cartagena plant uses micro-filtration to clean and reuse process wastewater from multiple sources within the plant. Since the plant started micro-filtration in late 2007, it has saved more than 850,000 m³ of raw potable water and more than US\$1.2 million.

OUR AMBITION

Our ambition is to reduce our fresh water use intensity by 25 percent compared to 2010 levels by 2025. We will achieve this target by continuing to equip SABIC facilities with enhanced awareness and advanced technologies for reducing, recovering, recycling, and reusing water.

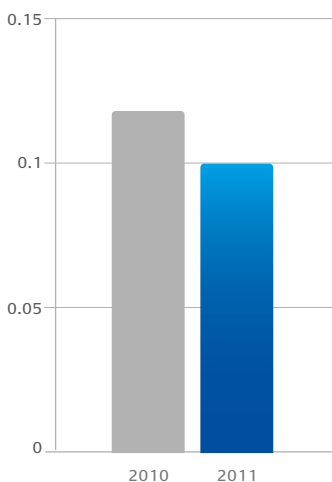
GLOBAL ENVIRONMENTAL PERFORMANCE (CONTINUED)

MATERIAL LOSS AND WASTE

Recognizing that our planet's resources are limited, we strive to use raw materials effectively to minimize process losses and to find reuse options for our waste materials. We measure our progress through our Material Loss KPI.

MATERIAL LOSS INTENSITY

(MT Material Loss/MT Product Sales)



The material loss concept applies basic sustainability principles to our process operations. The majority of our raw materials are non-renewable, and therefore we take care to use these materials efficiently to produce the products that our customers demand. Our Material Loss measurement is the sum of hazardous and non-hazardous wastes, process vents and fugitive losses, process material losses to flaring or to wastewater treatment, and spills to the environment. SABIC chose this comprehensive measure of losses over more traditional waste KPIs in order to allow sites to focus on the most important aspect of material loss for each plant, and to drive the concept of minimizing material losses from our production operations.

In addition to tracking process losses, we are striving to increase the quantity of recycled or renewable resources used in our processes and to maximize the production of high-value products while minimizing production of low-value byproducts. Taking these steps toward efficient and effective use of raw materials will maximize the sustainability of our processes.

Our total Material Loss in 2011 was 4.69 million MT compared to 5.05 million MT in 2010.

Our waste material strategy also emphasizes controlling waste materials through the use of a consistent global plan that includes auditing waste transportation and disposal vendors, tracking and characterizing waste streams, and implementing procedural controls such as training, inspections, material handling, and storage best practices.

SAUDI KAYAN

Saudi Kayan, an affiliate of SABIC and part of the largest petrochemical complex in the world, developed a process to separate oligomers – a mixture of heavy hydrocarbons produced during polymerization and usually disposed of as waste – and sell them as a byproduct to customers. This process has resulted in significant waste disposal cost savings as well as revenue generation from the sale of the byproduct.

MOUNT VERNON, INDIANA

Innovative Plastics' Ultem® resin plant in Mount Vernon, Indiana, introduced a new process that converts waste into commercial value sodium nitrite. The new process reduces the waste treatment cost to produce Ultem by 90 percent and the Mount Vernon offsite nonhazardous waste shipments by 10 percent. Now, 10 thousand MT per year of this byproduct are recovered and sold. In September 2011, the site won the National Pollution Prevention Roundtable's Most Valuable Pollution Prevention Project award for their efforts.

Our Mount Vernon resin unit also received a Responsible Care® Energy Efficiency Award from the American Chemistry Council for capturing ambient steam losses.

*Trademark of the Innovative Plastics business of SABIC.

Recent projects to improve our performance have included a focus on flaring reduction, coal-ash generation, and low-value byproducts. All sites are encouraged to follow pollution-prevention and waste-minimization practices, including selling scrap plastic that formerly went to landfills, re-using wood pallets, and reducing both energy usage and waste disposal by generating steam through thermal oxidation of high-caloric value waste streams.

We are conducting studies to find improved waste-recycling methods, and we are prioritizing waste streams with high potential for recycling, exploring new technologies, and identifying alternative disposal solutions for non-renewable wastes. Several efforts are also under way to capture chemical process CO₂ emissions and reuse them in our processes to produce urea and methanol.

OUR AMBITION

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

We will also continue to invest in new products and processes that take advantage of post-recycled content and byproducts from other processes.



Saudi Kayan, an affiliate of SABIC and part of the largest petrochemical complex in the world.

INTRODUCTION

SUSTAINABILITY IN OUR BUSINESS

ETHICS AND COMPLIANCE

SUSTAINABILITY IN OUR OPERATIONS

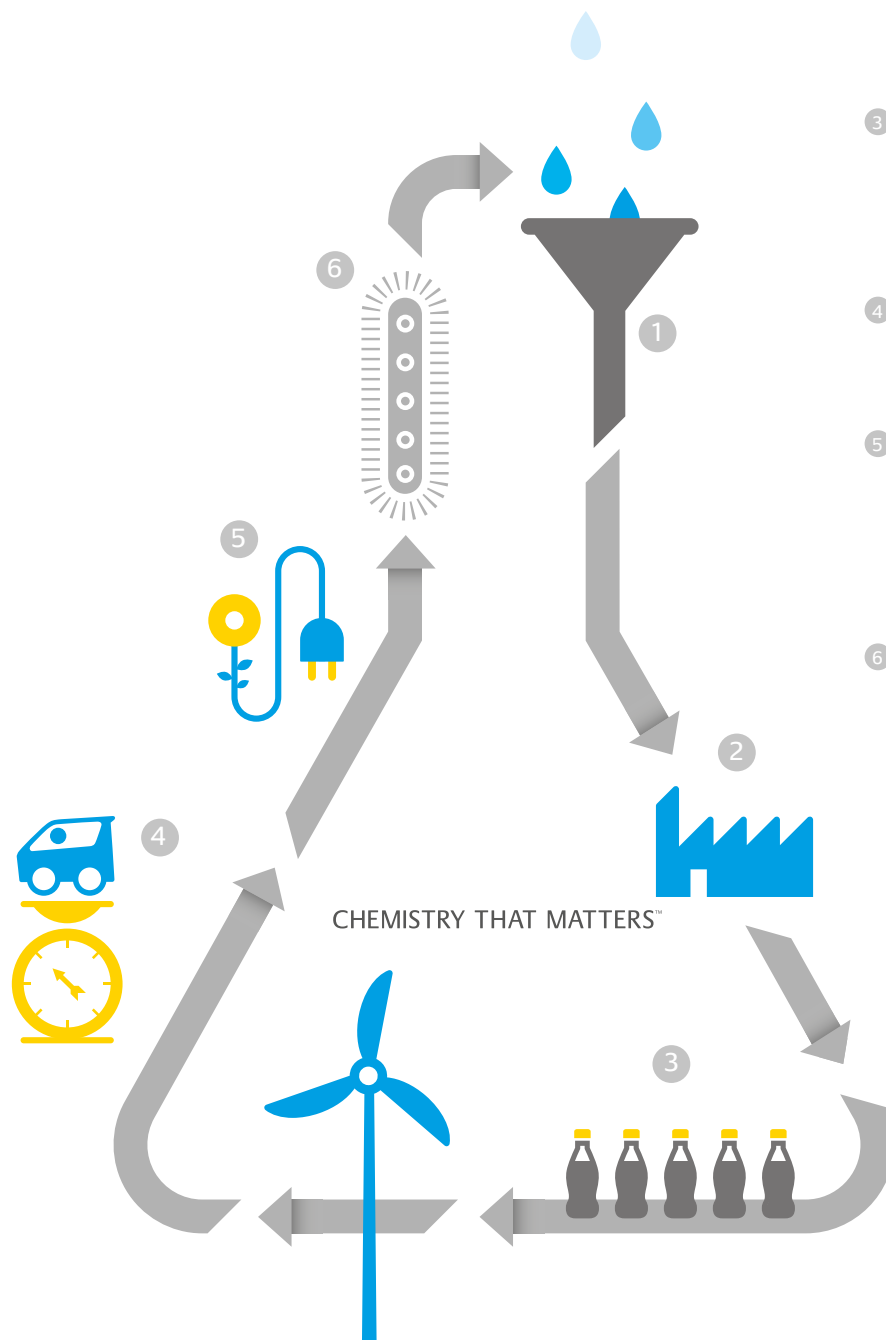
SUSTAINABILITY IN OUR PRODUCTS

OUR PEOPLE

OUR COMMUNITY

THE SABIC APPROACH TO MANAGING THE PRODUCT LIFECYCLE

A successful sustainability strategy requires a focus on all points in the lifecycle, including: basic raw materials, manufacturing processes, distribution, customer conversion processes, consumer use, and end-of-life. We are looking at the contributions we can make to reduce the total environmental lifecycle impact of our products.



1 RAW MATERIAL

SABIC has launched several corporate and SBU programs to introduce raw materials derived from recycled or renewable sources.

2 MANUFACTURING FOOTPRINT

SABIC steel manufacturing process has achieved a reduction in wastes and an increase in production from process changes which better utilize hydrocarbon inputs to the iron ore reduction process.

3 CUSTOMER PROCESSES

Thinner wall packaging materials and carbon fibers for renewable energy applications are being developed to make customers more environmentally efficient.

4 CONSUMER USE

SABIC automotive grades drive weight reductions that enable consumers to achieve greater fuel efficiency.

5 POST CONSUMER PET UP-CYCLE

Valox iQ* polyester product line is made from chemically recycled post-consumer PET beverage bottles. The Valox iQ* resin is used to make advanced durable applications like electric vehicle recharging connectors.

6 END-OF-LIFE MATERIAL RECOVERY

Technologies to recycle polymers, CO₂, metals, and other wastes are under development and implementation to close the lifecycle.

FOCUS UPSTREAM ON RAW MATERIALS, MANUFACTURING, AND DISTRIBUTION PROCESSES

SABIC has set challenging goals to improve its production footprint and we aim to realize these goals through operational excellence, continued investment, and innovation. Comprehensive assessments of our production footprint enable us to define the best opportunities for performance improvements, while reducing costs and diverting valuable resources into the products we sell. An illustrative example is from our HADEED steel business, where the challenge to reduce GHG emissions and waste led to the creation of a process that captures flare gases and then returns the gases to other points in the process where they replace hydrocarbon feedstocks. The result is a reduction in waste and an increase in steel production from the same amount of hydrocarbon usage. The manufacturing step also includes the packaging and distribution of our products. Our focus on distribution efficiency through EMDAD (described earlier) has contributed to lowering the environmental impacts of packaging and shipping.

FOCUS DOWNSTREAM ON CONVERSION PROCESSES, CUSTOMER APPLICATIONS, CONSUMER USE, AND END OF LIFE

As SABIC products flow downstream in the lifecycle to our customers, our customers' customers and the final consumer, we strive to design products with features that will enable improvements in their environmental impact. SABIC provides the high-performance and quality materials that enable lighter-weight, "greener" product composition, more durability and easier recyclability. For example, carbon fiber applications are being developed within our Performance Chemicals business to support renewable energy applications, a special grade of urea from our Fertilizer business is enabling diesel engines to run more efficiently with lower GHG emissions, and resin grades from our Polymer business are reducing food spoilage and improving water distribution.

SABIC's Innovative Plastics business has designed a family of products for the automotive industry which help drive weight reductions that enable consumers to achieve greater fuel efficiency (page 48).

Most materials used by society today end up being incinerated or disposed of in a landfill. SABIC is working to recover and reuse materials where it can. One example is our Valox iQ* polyester resin product line, which is made from chemically recycled post-consumer PET bottles and used to make advanced durable applications like electric vehicle recharging connector housings. In this application, Valox iQ* resin not only reduces the footprint of the material in the application, but also its properties fulfill the demanding engineering requirements. This is one example of many that illustrates how SABIC is working with customers to return Post-Consumer Recycling back into useful applications, thus reducing large amounts of environmental impact in the lifecycle. SABIC is also conducting corporate research to enable waste in general to become part of a new material lifecycle.

*Trademark of the Innovative Plastics business of SABIC.



SABIC's manufacturing process has seen a reduction in waste.



SABIC'S Polymer business is reducing food spoilage and improving water distribution.



Valox iQ* polyester product line is made from chemically recycled post-consumer PET beverage bottles. The Valox iQ* resin is used to make advanced durable applications like electric vehicle recharging connectors.

SUSTAINABILITY IN OUR PRODUCTS

We are committed to meeting the highest safety and environmental regulations in the development of our products. We are evaluating the footprint of our products through the full lifecycle and strive to reduce carbon intensity, improve energy and water use, and increase material effectiveness.

In addition to reducing our own footprint, delivering products that help our customers achieve their own environmental ambitions is central to our mission. Our portfolio of current and planned sustainability products – which includes, for example, light-weight plastics for fuel-efficient vehicles, advanced flame retardants for eco-label requirements, and recycle-based materials – help our customers address environmental challenges, while generating important new revenue growth for our business. We are confident that new business opportunities will emerge from the growth of our sustainability products portfolio.

SUSTAINABILITY PRODUCTS

Sustainability is also a design challenge, and our efforts extend to helping our customers tackle this challenge during the product design phase. Our materials allow our customers to develop innovative solutions that use fewer natural resources and use our materials in products that lower their carbon and energy footprints, eliminate waste, and ensure strict compliance with global environmental regulations. Our materials also enable the development of cleaner technologies such as LED lighting, solar technology, electrical vehicle infrastructure, and energy storage.

Our sustainability solutions portfolio is substantiated with sound environmental impact and product stewardship assessments to quantify and validate benefits for our customers. We do this by determining the environmental footprint of our products and quantifying the benefits of our innovative solutions during conversion, product use, and end-of-life phases. We classify products that have measurable sustainability benefits as “Sustainability Product Solutions.” These products have sustainability features that are significantly better than the incumbent solutions typically available on the market or meet recognized external sustainability standards.



We use our LCA tools to determine the total GHG emissions and energy used at each stage of our urea fertilizers' product life, including production, transportation, farming, crop growth and harvest, consumption, and carbon capture.

CHALLENGES AND OPPORTUNITIES

Challenges

Understanding through lifecycle assessment where in our products' lifecycles the biggest environmental impacts occur, and identifying the impacts we can control or influence.

Proactively meeting the growing number of restrictions around the world on harmful substance use and disposal.

Reducing the effects of agricultural over-fertilization on climate change and water quality.

Using more alternative renewable feedstocks in our processes.

Designing product solutions focused on energy efficiency, recyclability, and product stewardship for original equipment manufacturers and consumer goods companies.

Opportunities

Expanding engagement with customers and our customers' customers to optimize sustainability performance starting from our feedstock and raw materials portfolio all the way through to our customers' products at end-of-life.

Investing in research, participating in information-sharing industry groups, and educating customers and end-users on responsible product use.

Contributing to risk management of chemicals in the entire value chain.

Integrating sustainability criteria into SABIC product design and development.

Providing products that help reduce food waste and energy consumption, and increase growth in food supply.

Building a portfolio of recycled and bio-based materials, where their use makes environmental sense.

Expanding recycling and end-of-life possibilities for our polymer products.

Developing materials solutions to enable new technologies such as photovoltaics (PV), light-emitting diodes (LED), electric vehicles, and batteries.

We validate our benefits by:

1. Using recognized third-party standards: For a significant number of products in our sustainability solutions portfolio, we use third-party standards to define our sustainability features such as halogen-free flame retardants or post-consumer recycled content.
2. Applying our Sustainability Product Scorecard: We developed a sustainability product validation process and data book to assess candidate products – such as multilayer films with reduced thickness or footprint reductions – for which there are no widely recognized industry or third-party standards defining sustainability. This process has two core components:
 - Lifecycle assessment (LCA): LCA and lifecycle inventory (LCI) methodologies, based on the ISO 14040 and ISO 14044 standards, are used to estimate the carbon, energy and other impacts of the products or applications across the lifecycle. All lifecycle impact categories are assessed and considered in the qualification process.
 - Green Chemistry Screen (GCS): This screen guides the assessment of the chemical composition of the product, including impurities, byproducts, and catalysts, against well-established toxicological, regulatory, and industry-standard criteria.

Expanding recycling and end-of-life possibilities for our polymer products.



LCA SPOTLIGHT: FERTILIZERS

We use our LCA tools to determine the total GHG emissions and energy used at each stage of our urea fertilizers' product life, including production, transportation, farming, crop growth and harvest, consumption, and carbon capture. Understanding the impacts at each stage helps our teams identify the greatest opportunities to realize sustainability gains.

LCA SPOTLIGHT: METALS

Our Metals SBU completed a rigorous LCA of the ten main product lines manufactured at the HADEED site. The environmental data collected from all key processes – from raw material extraction to delivery of the products to the distributor – allowed us to identify internally the greatest sources of carbon emissions and energy use. By targeting these sources, we were able to save on natural gas and electricity, reduce emissions, and, ultimately, increase the efficiency of the plant and save money.

Additionally, we are able to differentiate ourselves in the marketplace. Given HADEED's use of natural gas-based Direct Reduced Iron and Electric Arc Furnaces, we have a significantly lower carbon footprint than products based on Blast Furnace-Basic Oxygen Furnace processes.

Our qualification process, developed together with experts from the sustainability strategy and advisory firm GreenOrder, has three phases:

Phase 1: Nomination

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

Phase 2: Quantifying Benefits

For every product, an expert team – including technical, functional, lifecycle, and stewardship experts, and specialists with knowledge of our customers' application and manufacturing requirements –

LCA SPOTLIGHT: INNOVATIVE PLASTICS

We use LCA tools to validate contributions of engineering resins to sustainable application design. For example, we completed a full cradle-to-cradle LCA (includes material manufacturing, fabrication, use, and end-of-life stages) of lightweight benefits of fenders made with thermoplastic Noryl* GTX resin versus fenders made from conventional materials. We found that the fenders made from Noryl* resin are 50 percent lighter in weight and therefore use 45 percent less energy, and emit 47 percent less greenhouse gas over the product lifecycle. Light-weighting is an important solution for cutting fuel consumption and emissions, and it is one example of how materials can contribute to a more sustainable lifecycle beyond the boundaries of SABIC's own operations.

We have a significantly lower carbon footprint than products based on Blast Furnace-Basic Oxygen Furnace processes



develops a competitive baseline, identifies the product's sustainability features, quantifies the product's benefits, and describes any real or perceived trade-offs. The team also develops a preliminary recommendation on further steps.

Phase 3: Approval

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

*Trademark of the Innovative Plastics business of SABIC.

SUSTAINABILITY SOLUTIONS

Building sustainability into the design of products delivers important business advantages, including: lower costs from reduced waste, improved customer satisfaction, and increased competitive advantage. Each of our SBUs is developing new products that help our customers and our customers' customers design and manufacture more environmentally responsible products.

Working in collaboration with our customers and suppliers, we are developing products with sustainability features in various stages of the lifecycle. Some examples of product features include: bio renewable and recycled content, products that bring lower environmental footprint through manufacturing efficiency or reduced material usage, and products that support applications that have inherently lower environmental impact during consumer use.

The following examples of automotive weight reduction and post-consumer recycled content demonstrate how our customers can use SABIC products to achieve sustainability performance improvements.

SABIC provides lightweight, high-performance thermoplastic materials that meet global regulatory requirements and consumer expectations for reduced environmental impacts.

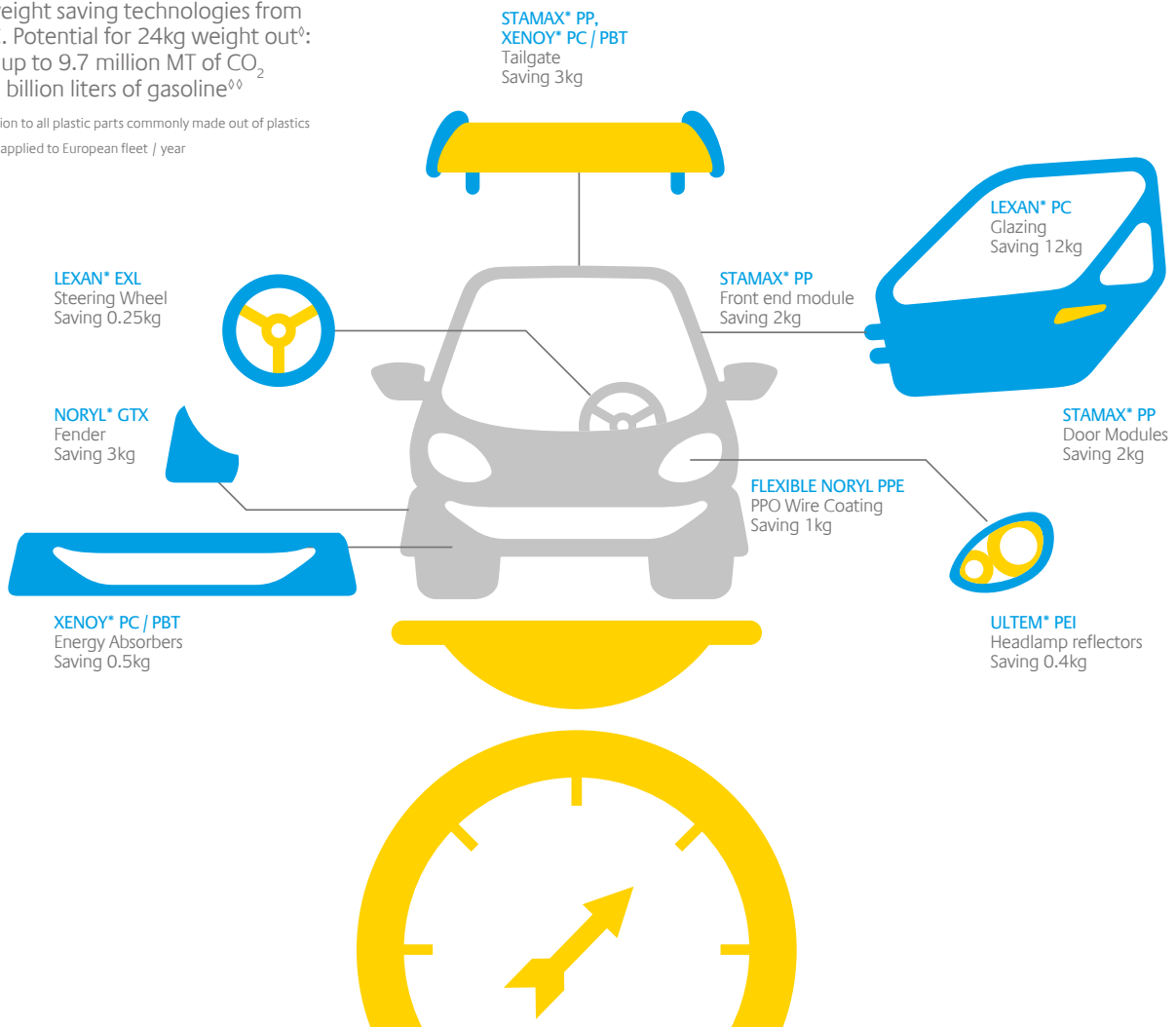
Lightweight materials reduce fuel consumption and emissions, while also delivering high performance and improved design flexibility. Our products may reduce the weight of a typical car by more than 24 kilograms, which could result in an approximately 20 to 45 percent reduction in the carbon footprint of a fender, window, door module, or a similar component during the lifecycle of a car part compared to incumbent technologies. If 5 percent of the world's fleet (approximately 50 million cars) switched from conventional fenders to fenders made with Noryl GTX resins, we would save more than a billion liters of gasoline over the lifetime of the vehicles.

AUTOMOTIVE WEIGHT OUT

Key weight saving technologies from SABIC. Potential for 24kg weight out[◇]: saves up to 9.7 million MT of CO₂ and 3 billion liters of gasoline^{◇◇}

◇ In addition to all plastic parts commonly made out of plastics

◇◇ When applied to European fleet / year



PRODUCTS

Noryl GTX* polyphenylene ether (PPE) resins for auto fenders and body panels reduce weight by up to 50 percent versus steel and, in conductive formulations, enable primerless online painting.

Lexan* polycarbonate (PC) resins with Exatec plasma coating and / or wet-coating for abrasion resistance can replace glass in automotive window applications for weight savings of up to 50 percent. Aerodynamic styling features can be molded into the glazing to further improve fuel economy.

SABIC® STAMAX® long glass fiber-reinforced polypropylene (PP) replaces steel and steel polyamide hybrid structures in front-end module assemblies and other semi-structural automotive applications, reducing weight by up to 30 percent and contributing to better fuel economy.

Xenoy* polycarbonate / polybutylene terephthalate (PC / PBT) resins, used in front and rear bumper structures have excellent impact and chemical resistance properties. At SABIC, solutions are being developed for bumper energy absorbers that are up to 30 percent lighter in weight than steel structures.

Ultem* polyetherimide (PEI) resins for headlamp reflectors can replace glass fiber-reinforced thermosets. With a near-zero scrap rate, Ultem resins avoid hard-to-recycle scrap from thermosets. Also, they reduce volatile organic compound (VOC) emissions vs. thermosets, which need additional base coating steps.

Flexible Noryl* resins for wire and cable coatings enable designs up to 25 percent thinner and up to 40 percent lighter compared to traditional cross-linked polyethylene (XLPE) systems, providing more room for functionality and helping to reduce fuel consumption.



Lincoln concept car with Exatec® Lexan* PC resin offers lightweight durability and weathering performance to glass-like abrasion resistance and optical appearance.

POST-CONSUMER RECYCLING SOLUTIONS

Customers are looking for alternative products that use fewer natural resources and decrease the overall environmental impact of their supply chains.

Post-consumer recycling (PCR) utilizes plastics that have served their intended purpose and have been diverted or recovered from the waste stream. Within the PCR category, closed-loop systems recycle a single type of plastic into the same production process, while open-loop systems make these materials available for other applications. Recycling can be performed through either mechanical (melting and refining without breaking down the polymer) or chemical (breaking the polymer chain down to its chemical building blocks and reusing them to make a new polymer) processes.

Ultem* polyetherimide (PEI) resins for headlamp reflectors can replace glass fiber-reinforced thermosets.



Using PCR materials lowers overall environmental impacts by reducing pressure on natural resources, eliminating waste from landfills, and strengthening the market for recycled materials. Our PCR portfolio includes more than 25 grades spanning six resin families. These materials – made in part from PCR materials – also provide enhanced durability, good aesthetics, good moldability, and consistent performance at various temperature and humidity levels.

For example, Valox iQ* polybutylene terephthalate (PBT) resin, which incorporates up-cycled water bottles, is used for the brackets of the side air deflection system for all seven models in the 2012 Volvo VN platform of heavy trucks. Valox iQ* resin not only helps Volvo deliver top performance under harsh driving conditions, but also contributes toward greater sustainability. SABIC not only provides the up-cycled PCR resin, but also the application development and technical support to help Volvo succeed in this design challenge.

*Trademark of the Innovative Plastics business of SABIC.

OUR AMBITION

Our ambition is to secure revenue growth from products with downstream sustainability features that help the environmental performance and ambitions of our customers.

OUR PEOPLE

SABIC's success relies primarily on the talent that comprises our workforce of 33,500 people across the world. We offer rewarding careers to people who aspire to find the best ways to help our customers, communities, and employees to prosper and grow.

Our key people objectives include: attracting the top talent from each country in which we operate around the world, engaging all team members to allow each individual to contribute to their full potential and reach their career aspirations, and developing our people to ensure the industry's best skill sets and leadership.

ATTRACTING OUR PEOPLE

SABIC continues to work toward our goal of being an Employer of Choice by attracting the best talent in each region, country, and community in which we operate. To realize this goal, we have established: 1) an energetic recruiting plan, 2) a competitive Total Rewards strategy, and 3) an aspirational diversity program.

Recruiting and Staffing

In each part of the world in which we operate, SABIC is partnering with leading educational institutions to provide opportunities for a cutting-edge education and to ensure a strong pipeline of employees.

In Saudi Arabia, this includes sponsorship of career programs at top Saudi Arabian universities to find and attract top talent. In 2005, the SABIC Scholarship Program was founded, which provides opportunities for Saudi high school graduates to study at top-tier universities around the world. The program presently sponsors 669 students, including 422 students at major universities worldwide.

Higher Education

In Asia, we sponsored a global MBA challenge for students to generate strategies in response to complex business challenges faced by global companies, including environmental issues.

CHALLENGES AND OPPORTUNITIES

Challenges

Navigating different cultural expectations of diversity in the many countries in which we operate.

Establishing a global platform for training and professional development programs as well as performance management systems.

Creating a work environment that supports new ideas for process improvements.

Integrating previously separate Human Resources data systems to be able to accurately account for contractor numbers by region.

Opportunities

Increasing opportunities for cultural exchange between SABIC locations.

Using sustainability as a means to attract and retain talent.

Supporting science and technology education in Saudi Arabia and beyond to ensure a global and competitive workforce.

Encouraging the growth of a globally minded workforce through the recruitment and promotion of a diverse workforce – regardless of ethnicity and gender.

In Europe and the Americas, we are collaborating with local communities and academic institutions to increase students' competency in science and technology in the face of a shortage in engineering and technology graduates. This includes mentoring high school students in math and science.

Total Rewards

Part of our strategy to attract, engage, and retain a top-tier workforce is providing competitive pay and benefit programs in each country and local community in which we operate. In 2010, we launched a comprehensive, global initiative to assess our Total Rewards strategy and practices. This will result in a number of changes over the next few years:

- The establishment of one unified, global grade and title structure for professional jobs across SABIC.
- The adoption of a common methodology for evaluation of jobs and process for pay administration.
- The pursuit of opportunities to harmonize pay and benefit practices in each country where possible.
- The development of a clear strategy in each country to determine our target level for total pay, and implement plans which drive toward these goals.

Our ongoing approach to pay and benefits includes continually monitoring pay levels and practices of the industry and marketplace in each country to ensure we are competitive. We reward employees based on overall performance and contribution to SABIC's success.

Global Mobility

Our global operations depend on our diverse base of human talent and a shared understanding of what it means to work for SABIC. Our Global Mobility Program gives employees opportunities to take on global assignments in any of our four regions: Saudi Arabia and the Middle East, Europe, the Americas, and Asia-Pacific. These short- to medium-term assignments support employee development, the exchange of knowledge and best practices, global integration, and enhanced career opportunities.

The GMP team administers a single process for expatriates, with the purpose of administering smooth transitions for people relocating globally and supporting a positive professional and personal experience. Guidance on travel plans, housing, education, and other needs is provided from the initial transition to the eventual repatriation to one's home country.



SABIC's success relies primarily on the talent that comprises our workforce of 33,500 people across the world.

ENGAGING OUR PEOPLE

We aim to engage and retain our talent by inspiring people to contribute to their highest capability level and to achieve their career aspirations. Our key efforts include:

- Diversity and Inclusiveness.
- Employee Engagement Assessment to identify and act on employees' opinion.
- Organizational Effectiveness programs to build an appealing and productive culture and working environment.
- Employee Green Teams.

Diversity and Inclusiveness

A primary pillar of our competitiveness is our global and diverse workforce that includes employees from many different cultural backgrounds. Our opportunity is to build on this strength by creating a pipeline of future SABIC

leaders competing and succeeding in many different markets around the world. We envision a globally mobile workforce that thrives in many different cultural contexts.

However, achieving these goals requires that we are committed to creating and fostering a culture of respect and fair employment practices that prohibits all forms of illegal discrimination. We must recruit, hire, discipline, dismiss, compensate, promote, and provide other conditions of employment in compliance with applicable laws and in a manner that respects the diversity of our employees.

Regardless of personal backgrounds or characteristics, we must rely on each other to perform our job duties so that we can reach our full potential. We expect all employees to embrace cultural diversity.

In 2011, the top leaders endorsed a global "Code of Conduct" which clearly outlines the expectations of every leader and employee to operate and behave in a manner that reflects the foundation of our values: integrity. A prominent component of this global imperative is our Fair Employment Practices, which not only requires compliance with all labor and employment laws in each country that we employ people, but also sets a standard for behaviors that respect all people and employment decisions that are based on capability, performance, and other job-related criteria.

FAIR EMPLOYMENT PRACTICES

- Prohibit illegal discrimination and ensure compliance with all laws and any regional non-discrimination statements.
- Ensure that merit and other job-related criteria are the sole basis for all employment-related decisions consistent with law and this policy.
- Comply with all applicable labor and employment laws.
- Provide a harassment free workplace.
- Respect our employees' privacy rights.

Employee Engagement

We are committed to making sure our employees are fully engaged throughout our global operations. To understand the engagement level of our employees, we launched a companywide employee engagement survey in 2010 and plan to repeat the survey every two to three years. Seventy-six percent of all SABIC employees participated in the 2010 survey, the results of which demonstrated that SABIC employees are highly engaged, with high levels of job satisfaction and a good work / life balance.

Each organization shared results with their teams and identified key areas for improvement and action plans to achieve their goals.

Organization Effectiveness

SABIC developed a set of values to reflect the actions and behaviors that reinforce our business culture. These values are embedded in all of our key people processes – recruiting and staffing selection, learning and development, and talent management.



We are committed to making sure our employees are fully engaged throughout our global operations.

Employee Green Teams

To increase employee engagement and employees' understanding of sustainability, we have several employee-led Green Teams that raise awareness and implement programs related to water and energy conservation and food waste reduction in staff dining halls and living quarters.

Staff in Saudi Arabia started a campaign in 2011 to reduce the amount of water used in employee housing units.

Through this effort, staff distributed posters and pamphlets with tips for how to reduce water use in the kitchen, bathroom, and laundry room. Employees also distributed tools to reduce water use at home, including a low-flow faucet aerator, among others.

Employees across Europe initiated a project to recycle waste, such as paper and plastic, by setting up recycling stations and educating their colleagues.

A Green Team at our Mount Vernon site in Indiana, United States, led an employee-based recycle program that collects more than 10 MT of recyclable materials each year and contributes it to a community recycling center.

SABIC also encourages the formation of employee networks to address personal conservation actions and community impacts. This is an area of greater emphasis for us in 2012.

LET'S TALK PLASTICS

SABIC's teams in Europe launched an internal campaign called "Let's Talk Plastics" to correct some of the popular misconceptions about plastic's environmental credentials. The campaign now has a website which members of the public may access, and which provides facts about plastics usage and applications.

DEVELOPING OUR PEOPLE

Our third key people imperative is developing our talent to build a capable workforce and ensure individuals meet their career aspirations. Our efforts focus on: Learning & Development, and Talent Management.

Learning and Development

In 2011, our Learning and Development (L&D) team made significant progress in building collaborative and internationally effective L&D programs for our global workforce. We offer state-of-the-art learning opportunities to share knowledge, practice skills, and apply best practices in leadership and professional development that contribute to the sustainable growth and global competitiveness of our company and our people.

Our curriculums are flexible to allow our employees to take the courses that are the best fit for their learning needs and professional development requirements. We partner with world-renowned business schools and providers – including the London Business School, Babson Executive Education, Center for Creative Leadership, and Thunderbird School of Global Management – that have proven records of excellence in a global business environment. Our collaborative curriculum offers a blend of internal and external expertise that establishes an environment that makes “learning a way of life at SABIC.” We also support our global diversity objectives by ensuring that each course is attended by a diverse group of employees.

In early 2012, we launched the SABIC Academy, a state-of-the-art venue to facilitate world-class learning experiences and collaboration of leaders and talent from different regions, cultures, and functions across the globe. Guest visitors from top education institutions spark creativity and inspire employees and leaders to find innovative solutions to business challenges for us and our customers. Customers and community officials will be frequent guests, participating in the exchange of ideas and helping us to build stronger relationships.

The learning curriculum focuses on three main competencies: core business skills, leadership, and functional skills. Sustainability is incorporated into all leadership training. The program is designed to incorporate feedback from participants as well as provide global networking opportunities and promote cross-cultural learning. A new Learning Management System was introduced in 2012, allowing interactive learning over the internet.

Talent Management

In 2009, SABIC developed a unified approach to talent management, based on the following set of principles:

TALENT MANAGEMENT PRINCIPLES

1. Build a performance driven culture.
2. Focus on both values and performance.
3. Employees drive their own careers.
4. Ownership of employee development by leaders.
5. Candid feedback to all employees.
6. Talent Sharing.

During the talent management process, employees assess their own performance and discuss development and career plans. A Talent Review Process is now used globally to ensure performance feedback, succession planning, and employee development. The process results in action plans for development, engagement, and retention of our talent in all organizations.

In this area, an important priority for us is to establish a unified approach to Career and Competency Development. The primary objectives of this initiative include:

- Developing career paths that meet business needs and employee aspirations.
- Distinguishing the competencies for the roles at each step along the career path.
- Establishing the approach to develop key competencies.
- Creating early career development programs to find and develop entry level employees with high potential.

The Career and Competency Development program was piloted in our Technology & Innovation function in 2010. Programs are now under development with our Global Manufacturing, EHSS, Information Technology, and Finance functions. Other functions will follow the framework to develop their career programs to fit the unique needs of their teams.

OUR AMBITION

Our ambition is to deliver on our recruitment and employee development objectives and continuously lead a world-class HR Strategy that achieves our goal of being a global employer of choice.



Our principal goal is to ensure our employees are given every opportunity to meet their career aspirations. Our management and our workforce are engaged in a never ending effort to develop our mutual strengths and inspire a culture of success.

COMMUNITY AND ECONOMIC DEVELOPMENT

Local community engagement and investment is a priority for all of our operations to create vibrant and sustainable communities in the long term. We invest in science and technology programs; provide scholarships for young, talented students; and support various volunteer projects around the globe. We also sponsor events and entrepreneurship programs for youth and give donations to victims of natural disasters as part of our commitment to support the overall well-being of the communities in which we operate.

CHALLENGES AND OPPORTUNITIES

Challenges

Implementing a global CSR strategy – based on environmental responsibility, water management and sustainable agriculture, and education in science and technology – that meets the unique needs of our local communities.

Enhancing community well-being and impact through meaningful programs.

Tracking our various activities for global reporting purposes.

Opportunities

Educating local communities about sustainability challenges such as water constraints, energy use, and proper product disposal.

Providing more opportunities for employee involvement in community programs to boost employee morale and increase program impact.

Building a strong talent pipeline through support of science and technology programs.

SABIC was awarded the King Khalid Award for Responsible Competitiveness in 2011.



STRATEGIC CORPORATE SOCIAL RESPONSIBILITY

Wherever we operate, we recognize our obligation to improving the well-being of our employees and their families, our stakeholders, and society at large. And as one of the largest companies in Saudi Arabia, we also recognize our responsibility to advance the social and economic development and overall competitiveness of our home country.

To do this, we are aligning our community efforts around the issue areas where we can make the greatest difference: environmental responsibility, water management and sustainable agriculture, and education in science and technology. In recognition of our work and business practices, SABIC was awarded the King Khalid Award for Responsible Competitiveness in 2011.



In Saudi Arabia alone, SABIC donated more than SR 40 million (\$10.6 million) in 2011 to support social activities and programs.

SUPPORTING LOCAL COMMUNITIES IN SAUDI ARABIA

In Saudi Arabia we sponsored and donated more than SR 40 million (\$10.6 million) in 2011 to support social activities and programs – ranging from heat stress awareness, orphan care, anti-smoking, energy preservation, and defensive driving campaigns to multimillion-dollar initiatives to improve health care, research, and drug prevention in the country. The SABIC Drug Prevention Initiative for example is a SR 50 million (\$13.3 million) SABIC national program for drug prevention.

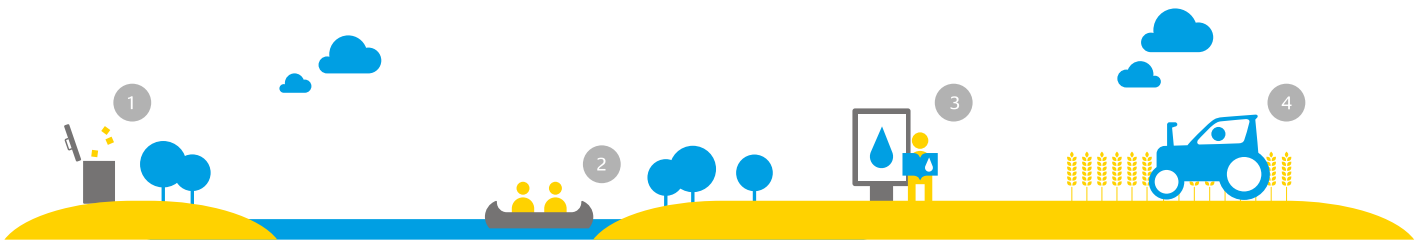
Looking ahead, we have unveiled several multi-year initiatives that will provide critical support and resources to our local communities. Our efforts include:

- Building a hospital for mental health and addiction treatment with a capacity of 300 beds. Our support includes SR 300 million (\$80 million) over three years.

- SR 11 million (\$2.9million) in support of the National Survey of Mental Health and Life Stresses, which aims to develop a database of people with mental illness and those vulnerable to mental health issues.
- A SR 10 million (\$2.6 million) project to fight cancer at King Faisal Specialist Hospital and Research Center.
- A grants project worth SR 7 million (\$1.9 million) for the Disabled Children's Association to cover treatment and education costs for 20 children for five years.
- The establishment of a SR 4 million (\$1 million) mobile clinic through the Zahra Breast Cancer Association for the early detection of breast cancer in the Al-Jouf district.
- Support worth SR 860,000 (\$230,000) for the Society for Attention Deficit Hyperactivity Disorder to train 150 Saudi physicians.

ENVIRONMENTAL RESPONSIBILITY

Environmental responsibility is a key issue for any company in the chemical industry. We strive to do our part in not only reducing our environmental impacts, but also educating and raising awareness in our local communities about global environmental challenges such as climate change and resource scarcity. We also provide opportunities for our staff and their families as well as local community members to reduce their own environmental impacts by participating in beach cleanups and other programs.



1. PETROKEMYA BEACH CLEANING CONTEST

More than 200 SABIC employees and their families participated in a beach cleaning contest at Mardomah Beach in Al-Jubail, Saudi Arabia. The contest – held in cooperation with the Diving Club, Al-Jubail Marine Sports, Al-Jubail Border Guards, Department of Social Services at the Royal Commission in Al-Jubail, and the Al-Jubail Wildlife Protection – included a variety of events such as a sea cleanup, a beach cleanup, and a lecture to raise awareness on global warming and its impact on the marine environment.

2. PITTSFIELD CANOE MEADOWS REFURBISHMENT PROJECT

About 150 employees from our Pittsfield site in North America helped to build a structure and improve landscaping for the Canoe Meadows Refurbishment project. A team of ten employees spent more than 40 hours planning the event and US\$31,000 was donated for materials.

3. WATER CONSERVATION AWARENESS

Our Shared Services department launched a campaign in 2011 to raise awareness of the importance of water conservation in Saudi Arabia. Information pamphlets and tools were distributed to encourage local community members to reduce their water consumption, and messages highlighting the high level of water use per person and ways to reduce it were displayed in the streets in Al-Jubail.

4. WATER MANAGEMENT AND SUSTAINABLE AGRICULTURE

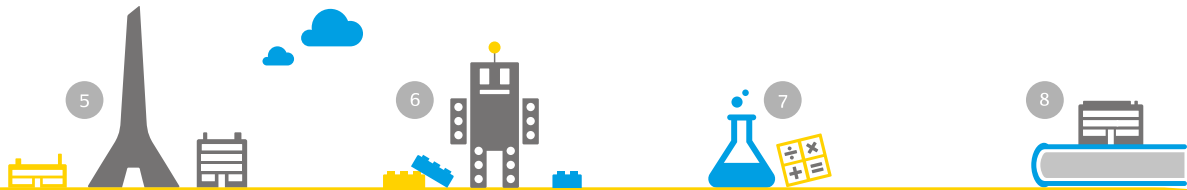
We believe investing in programs to educate and raise awareness among the public about water conservation and efficient agricultural techniques is critical to protecting our earth's limited resources. Our efforts range from informing farmers in Saudi Arabia on how to properly use our fertilizers to information campaigns on how to reduce individual water consumption.

Petrokemya Beach Cleaning Contest.



EDUCATION IN SCIENCE AND TECHNOLOGY

To support a strong talent pipeline for our company and for the industry in general, we sponsor various educational programs on science and technology, research partnerships, career days, and youth competitions to encourage interest in the field. Investing in these programs not only benefits SABIC, but also our local communities and the general competitiveness of Saudi Arabia.



5. PARTNERSHIP WITH KING ABDULLAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

To support technological innovation and competitiveness in Saudi Arabia, SABIC formalized a strategic partnership with KAUST. As part of the partnership, SABIC launched the Corporate Research and Innovation Center to serve as a bridge between industry and academia with a special focus on areas like alternative feedstock; bio-renewables; fundamental catalysis; advanced materials for future technologies like solar, membranes and flexible electronics; and water. SABIC also has three other commitments with the university covering the development and localization of technology in Saudi Arabia and the sponsorship of 10 to 15 postdoctoral fellowships doing research on issues relevant to SABIC's business.

Central Research Center KAUST University.



6. FIRST LEGO LEAGUE

To encourage interest in science and technology among youth, the Innovative Plastics site at Bergen op Zoom, the Netherlands, sponsored the First Lego League in the region. Through this program, SABIC sponsored 14 youth teams that competed in an annual challenge to program an autonomous robot (using the LEGO® MINDSTORMS® robot set). Approximately 30 SABIC staff and contractors served as team coaches.

First Lego League.



7. MOUNT VERNON EVANS SCHOOL PROJECT

SABIC's Mount Vernon site partnered with Evans Middle School to help students boost their performance in science and math. SABIC volunteers served as mentors, performed hands-on science experiments in the classroom, supported a student science fair, and hosted various career roundtables.

8. CHILDREN'S DEVELOPMENT CENTER

SABIC's Rayong plant Women's Network worked to make infrastructure improvements to a local Children's Development Center by constructing buildings and preparing educational materials for the children there.

Mount Vernon Evans School Project.



“New ideas and approaches are needed to tackle a critical challenge facing humanity today – sustainability. To produce novel and transformative solutions for sustainability, talents – scientists and engineers, innovators and entrepreneurs – with drive and creativity are essential.

SABIC and KAUST are partners in developing creative and enterprising talents for the Kingdom and the world through research and education of the highest quality at KAUST. Our shared vision is also reflected in SABIC’s inaugural and comprehensive sustainability report.”

PROFESSOR CHOON FONG SHIH,
President of King Abdullah University
of Science and Technology



KAUST Beacon of Knowledge

SUPPORTING ECONOMIC DEVELOPMENT AROUND THE WORLD

Providing a good standard of living for the 8 billion people anticipated by 2025 without damaging the health of the planet will require collaborative and creative solutions, and technology and innovation will play a key role in addressing the myriad social, economic, and environmental challenges.

To support technology development and incubate innovative solutions, we're investing in four new Innovation Centers, which are in various stages of construction, including: a basic research center at KAUST; an application development center in Riyadh; and regional research centers in Shanghai, China and Bangalore, India. These Innovation Centers will provide a space where SABIC employees can collaborate with universities, customers, suppliers, and partners to accelerate progress on sustainability solutions throughout the product lifecycle.

Application Center Riyadh.



GREEN CHEMISTRY CAMPUS

Our Green Chemistry Campus in Bergen op Zoom officially opened on September 29, 2011, and was awarded Center for Open Chemical Innovation status, an important recognition from the Dutch Chemical Industry Association (VNCI).

The campus' objective is to bring together companies to develop technologies that help turn agricultural waste streams into value-added bio-based building blocks, which companies such as SABIC and Nuplex use as building blocks in performance chemicals and performance materials and coatings.

Green Chemistry Campus participants utilize office and laboratory space in our Innovation Center with the goals of accelerating bio-based business and driving synergy with SABIC bio-based developments.

The Green Chemistry Campus is an important cornerstone of the bio-based economy program of the South-West Netherlands. As such, the public-private project is supported by the Province of Noord-Brabant, the Municipality of Bergen op Zoom, and the Local Economic Development Organization REWIN. There is close collaboration with various major industries located in the area.

India Technology Center Bangalore.



DISASTER RELIEF

Following the devastating earthquake and tsunami that hit Japan in March 2011, SABIC corporate and employees in Asia donated close to SR 810,000 (\$216,000) to the Japan Red Cross for disaster relief aid. Also, the SABIC Japan Women's Network organized a team of employee volunteers in December 2011 to help clean up areas that were affected by the natural disaster, with the goal of accelerating Japan's recovery and reconstruction efforts.

OUR AMBITION

Over the next year, we will be taking a more strategic approach to our philanthropy by focusing our community investment efforts on various economic, social, and environmental initiatives that make the greatest impact on our local communities and are aligned with our overall business strategies.

We also plan to formalize a global volunteer policy and program to encourage our staff worldwide to participate in a variety of community development activities aligned with our global community engagement strategy.

The Green Chemistry Campus, Netherlands.



REPORT SUMMARY

This document represents our first Sustainability Report. We are proud of what we have accomplished as a global business. We also recognize that this is a modest beginning, and we have a lot more to contribute to a sustainable future.

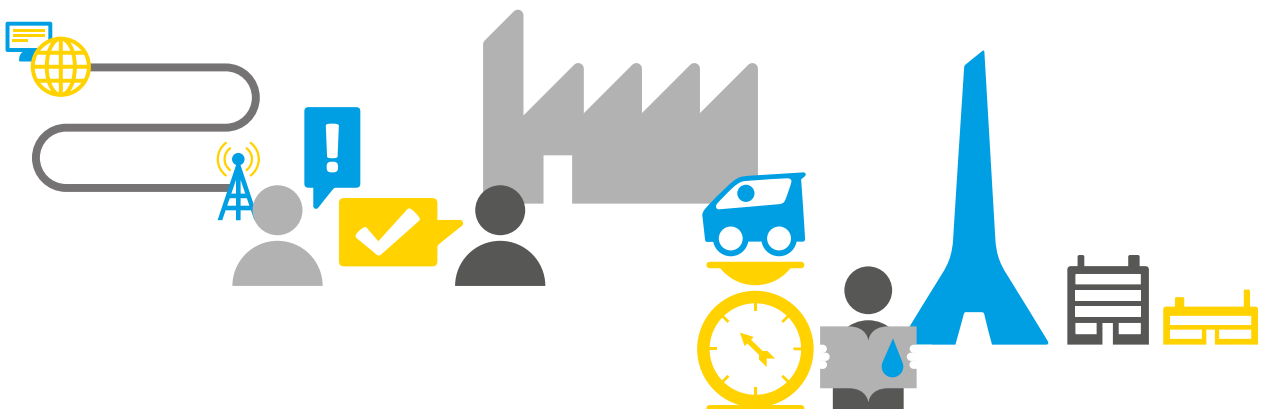
The journey ahead of us presents many opportunities and challenges for SABIC to serve the world's needs for chemicals and materials. Progress will require that we treat every molecule of hydrocarbon we use as a precious resource. It will require an innovative focus on the entire product lifecycle to develop better processes and products. It will also require deeper engagement and collaboration with our suppliers, customers, and partners to create shared solutions to our global challenges.

To get there, we will continue to build our business strategy around the three dimensions of sustainability, and we will engage every person in our organization, so we can act quickly.

This report has been a tremendous learning experience and an opportunity to look at our business broadly through a sustainability lens.

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

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GLOBAL REPORTING INITIATIVE

GLOBAL REPORTING INITIATIVE

G3 CONTENT INDEX

Our 2011 Sustainability Report applies a self-declared GRI Application Level B. To view the more detailed GRI Index, including the indicators that we did not report on, as well as more links to relevant information, please visit: www.sabic.com/sustainability.

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1. Strategy and Analysis		
1.1	CEO Message	CEO Message – Chemistry that Matters
1.2	Key impacts, risks, sustainability issues, and opportunities.	Establishing Priorities, Key Messages and 2011 Highlights
2. Organizational Profile		
2.1-2.10	Organizational Profile	About SABIC, Our Structure, Our Global Operations, Awards Received during 2011
3. Report Parameters		
3.1-3.4, 3.6-3.11, 3.13	Reporting parameters	About this Report www.sabic.com/sustainability
3.5	Process for defining report content.	About this Report, Establishing Priorities
3.12	Standard report disclosures.	GRI Index
4. Governance, Commitments, and Engagement		
4.1	Governance structure of the organization	About SABIC – Role of Sustainability in Our Business
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	About SABIC – Our Vision, mission and values, Ethics and Compliance
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of ESG performance.	About SABIC – Role of Sustainability in Our Business Ethics and Compliance Sustainability in Our Operations
4.11	Precautionary principle	The SABIC Approach to Managing the Product Lifecycle
4.12	Externally developed ESG charters, principles, or other initiatives to which the organization subscribes or endorses.	About this Report – Reporting Frameworks
4.13	Full index of disclosures	www.sabic.com/sustainability
4.14-4.17	Stakeholder engagement	Establishing Priorities, Key Messages and 2011 Highlights
Disclosure on Management Approach		
Economic		About SABIC, Community and Economic Development, Spurring Sustainable Growth in Saudi Arabia: Spotlight on Al-Jubail and Yanbu
Environment		Role of Sustainability in Our Business, Sustainability in Our Operations, Ethics and Compliance
Labor		Our People, Ethics and Compliance, Role of Sustainability in Our Business, Sustainability in Our Operations, Our People
Human Rights		Ethics and Compliance, Sustainability in Our Operations, Role of Sustainability in Our Business
Society		Community and Economic Development, Ethics and Compliance
Product Responsibility		Sustainability in Our Products, Ethics and Compliance, Role of Sustainability in Our Business, Responsibility in Our Operations, the SABIC Approach to Managing the Product Lifecycle

STANDARD DISCLOSURES

SECTION/PAGE

STANDARD DISCLOSURES		SECTION/PAGE
Economic		
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EC9	Significant indirect economic impacts	Community, Sustainability in Our Products – Sustainability Solutions, Spurring Sustainable Growth in Saudi Arabia: Spotlight on Al-Jubail and Yanbu
Environment		
EN1	Materials used by weight or volume	Sustainability in Our Operations – Waste and Material Effectiveness
EN3, EN4	Energy consumption	Sustainability in Our Operations – Energy Use and Climate Change
EN6, EN7	Initiatives to reduce energy consumption	Sustainability in Our Products, Sustainability in Our Operations – Energy Use and Climate Change
EN8	Total water withdrawal by source	Sustainability in Our Operations – Water Use
EN14	Managing impacts on biodiversity	Spurring Sustainable Growth in Saudi Arabia: Spotlight on Al-Jubail and Yanbu
EN16, EN18	Significant air emissions and initiatives to reduce them	Sustainability in Our Operations – Energy Use and Climate Change
EN22	Weight and type of waste and disposal method	Sustainability in Our Operations – Waste and Material Effectiveness
EN26	Initiatives to mitigate environmental impacts of products and services	The SABIC Approach to Managing the Product Lifecycle, Sustainability in Our Products
EN29	Significant environmental impacts of transporting products, workforce, and other goods and materials	The SABIC Approach to Managing the Product Lifecycle, Sustainability in Our Operations – Creating a World-Class Sustainable and Responsible Supply Chain
Labor Practices and Decent Work		
LA7	Health and safety data and programs	Sustainability in Our Operations
LA10-LA12	Employee training and career management data and programs	Our People
LA13	Diversity	Our People
Society		
SO9-SO10	Impacts of operations on communities, including prevention and mitigation for potential or actual negative impacts	Sustainability in Our Operations – Spurring Sustainable Growth in Saudi Arabia: Spotlight on Al-Jubail and Yanbu
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	Ethics and Compliance
Product Responsibility		
PR1	Health and safety impacts of products and services	Sustainability in Our Products – Validating Our Sustainability Claims
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	The SABIC Approach to Managing the Product Lifecycle, Leadership on Responsible Care®
PR6	Responsible marketing behavior	Leadership on Responsible Care®

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