

PURCHASING POLICY STATEMENT: SUSTAINABLE SOURCING OF BIOCOMPONENTS

As one of the world's largest distributors of biofuels, and as part of our commitment to contribute to sustainable development, Shell¹ is working to ensure that the biocomponents & bio feedstock² (from here on simply referred to as biocomponents) we purchase, both for blending into fuels and use in other areas of our business, are produced in a more sustainable way. In addition to closely understanding their emissions, we want to ensure other environmental impacts from their production are well managed (such as impacts on soil, air and water) and that social impacts are beneficial for local communities.³ The following describes the key components of our approach, which reflects the requirements of Shell's [General Business Principles](#). Shell will continuously review and update the specifics of our approach to the sustainable sourcing of biocomponents as appropriate.

Working with Suppliers:

Shell aims to ensure that it does not source biocomponents that may be associated with a violation of human rights⁴ (including child or forced labour) or clearing of areas of high biodiversity value⁵.

Shell aims to purchase biocomponents that have been certified against recognised credible multi-stakeholder voluntary sustainability standards.⁶

Shell will also incorporate sustainability clauses into supply contracts requesting that:

- Biocomponents are not knowingly linked to the violation of human rights (child or forced labour)
- Biocomponents have not knowingly been cultivated in areas of high biodiversity value
- Biocomponent production has not involved the use of open burning techniques for land preparation, conversion or clearing⁷
- Suppliers become members of the relevant international body/voluntary certification scheme working on sustainability standards for their feedstock

Shell will continuously work with the suppliers to create awareness about the sustainable sourcing of biocomponents and to work towards a more sustainable supply chain.

¹ A reference to "Shell" is a reference to the Shell Group unless otherwise specified.

² Biocomponents tend to be blended with non-fossil components to make finished fuels or products, whereas feedstocks are generally input material to a process – e.g. crude palm oil is a feedstock for Palm Oil Methyl Ester.

³ The scope of this policy does NOT extend to our purchase of finished fuels which may contain biofuels that were blended by others, nor to joint venture operations where Shell is not the operational controller, nor to 'toll' processing of products on behalf of others.

⁴ Child Labour as defined by the ILO convention 138 (1973) on minimum age and ILO convention 182 (1999) on worst forms of Child Labour and forced labour as defined by ILO convention 105

⁵ World Conservation Union IUCN areas (categories I-VI), Wetlands of International Importance under Ramsar Convention, Natura 2000 sites, Important Bird Areas, UNESCO Biosphere Reserves.

⁶ Shell is a member of Roundtable on Sustainable Biomaterials (RSB), the Roundtable on Sustainable Palm Oil (RSPO), the Round Table on Responsible Soy (RTRS), BONSUCRO and the ISCC (International Sustainability and Carbon Certification).

⁷ Except in specific situations as identified in the ASEAN Guidelines, comparable guidelines in other regions, or as required where manual sugarcane harvesting is necessary.

Shell will engage suppliers to review progress on a regular basis and under our contract clauses reserves the right to conduct independent audits and to terminate contracts in the event of failure to meet our expectations.

A few constraints may limit Shell's ability to procure sustainable biocomponents, for example in countries or regions where the use of specific biocomponents is mandated despite the lack of certified product.

Despite these constraints, Shell will continue to work through multi-stakeholder initiatives, with suppliers and with industry to address these challenges.

Reporting:

Shell reports on its performance on the issue of sourcing sustainably-produced biocomponents in the annual Shell Sustainability Report which can be found [here](#).

Stakeholder Engagement:

Shell engages with industry, governments, intergovernmental agencies and policy makers to encourage the development and implementation of sustainability standards for the biofuels supply chain. In particular, Shell participates actively in multi-stakeholder initiatives that develop robust voluntary sustainability criteria such as the Roundtable on Sustainable Biomaterials (RSB), the Roundtable on Sustainable Palm Oil (RSPO), the Round Table on Responsible Soy (RTRS), BONSUCRO and the ISCC.

Shell regularly engages environmental and social experts to support in developing projects that help address potential direct and indirect impacts of biomass production and to share experience and expertise, including impacts for energy and other uses.

Palm Oil

Shell recognises that palm oil is perceived as one of the most problematic bio feedstocks used due to links to deforestation, peatland draining and loss of biodiversity. Shell uses palm oil as a biodiesel feedstock in Thailand, Malaysia and Indonesia because it is mandated for biodiesel blending in those countries. There may also be small volumes of palm oil in the biodiesel Shell purchases in Europe. Therefore, Shell engages extensively with the Roundtable for Sustainable Palm Oil (RSPO)⁸ to ensure this standard is robust and credible and can be relied upon to provide an assurance of best practise.

100% of Shell's purchased palm oil products⁹ are certified as sustainable. Where possible we purchase physical 'mass balance' material according to RSPO's principles and criteria or ISCC certified 'mass balance' material. Failing that, an equivalent volume of RSPO endorsed certificates are purchased. This includes all volumes purchased for trading activities.

⁸ Shell is currently an active member of the RSPO's Trade and Traceability and RED working groups.

⁹ By 'palm oil products' we are including crude or refined palm oils as well as their derivatives such as palm methyl ester which is used as biodiesel.

Other High Risk Feedstock.

We are also working on increasing the purchase of certified sustainable sugarcane ethanol and soy biodiesel, particularly from South America.

Further information is also available about Shell's strategic commitment to biofuels in the transport sector and our activities in Brazil with our joint venture company Raizen where we manufacture sugarcane based ethanol.

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