

APPROACH TO SUSTAINABLE SOURCING OF BIOCOMPONENTS

This document sets out Shell's global sustainability guidelines for procuring renewable components and feedstocks by companies under Shell operational control.

Overview:

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 and bio feedstock² (from here on simply referred to as biocomponents) we purchase, for processing and 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 land use, biodiversity, soil, air and water), and that there are positive social impacts for local communities and others involved in the production process, and any adverse human rights impacts are avoided³.

The following position articulates the key components of our approach, which reflects the requirements of Shell's General Business Principles. Shell will continuously review and update our position on the sustainable sourcing of biocomponents as appropriate.

Shell's position on sustainable sourcing of biocomponents:

Shell does not source renewable components or feedstock that have been associated with a violation of human rights⁴, animal care and welfare principles⁵ and / or clearing of areas with high carbon stock⁶ or of high biodiversity value⁷.

Examples of the types of sustainability risks that Shell assesses when considering using a particular feedstock include:

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

² Biocomponents may be blended with non-fossil components to make finished fuels or products, or used in neat form (such as HVO/HEFA), whereas feedstocks are generally input material to a process – e.g. crude rapeseed oil is a feedstock for rapeseed Methyl Ester or manure is a feedstock for biomethane production.

³ The scope of this policy does not extend to our purchase of finished fuels which may contain biocomponents that were blended by others (for example, B7 or E10), nor to joint venture operations where Shell is not the operational controller.

⁴ As defined by the UN Universal Declaration of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work.

⁵ 3 ISO/TS 34700:2016 for animal welfare management for animals bred or kept for the production of food or feed (e.g. National FARM Animal Care for US dairy farms) or equivalent.

⁶ For the purposes of this policy, high carbon stock areas will be defined as areas which were primary forests and/or peatland in January 2008.

⁷ World Conservation Union IUCN areas (categories I-VI), Wetlands of International Importance under Ramsar Convention, Natura 2000 sites, Important Bird Areas, UNESCO Biosphere Reserves. Feedstock for new projects must meet the requirements of the Respecting Nature commitments in terms of net zero deforestation and critical habitats.

AGRICULTURAL PRACTICES 	WATER QUALITY 	WORKER'S RIGHTS 	PESTICIDE USE 	FOOD SECURITY 
BIODIVERSITY LOSS 	SOIL QUALITY 	DEFORESTATION 	LAND GRABBING 	CHILD LABOUR 
GHG FOOTPRINT 	INDIRECT LAND USE CHANGE 	ANIMAL WELFARE 	WASTE DISPLACEMENT (& FRAUD) 	WATER USE 

Working with suppliers and partners:

Shell's purchasing position applies to all suppliers of bio-components or feedstock across our entire value chain:-

Shell incorporates sustainability clauses into supply contracts, providing a base level of assurance for all feedstock regardless of origin or voluntary sustainability standard certification.

These request that:

- Biocomponents are not knowingly linked to the violation of human rights.
- Biocomponents have not knowingly been cultivated in areas of high biodiversity value.
- Biocomponents have not knowingly been cultivated on areas of peatland, regardless of depth.
- Biocomponent production has not involved the use of open burning techniques for land preparation, conversion or clearing⁸.
- Biocomponent production from woody biomass has only originated from eligible wastes and residues, and follows strict sustainability criteria⁹.
- Biocomponent production has not contravened relevant animal welfare laws or good animal care practices¹⁰.
- Suppliers become members of the relevant international body/voluntary certification scheme working on sustainability standards for their feedstock.

Shell continuously works with suppliers to create awareness of sustainable sourcing practices, to work towards a more sustainable supply chain.

⁸ Except in specific situations as identified in the ASEAN Guidelines, comparable guidelines in other regions, or as required where manual sugarcane harvesting is necessary.

⁹ Including but not limited to not originating from primary forests, clear-cut harvesting as defined by local regulation, regions where growth:drain ratios <1 etc.

¹⁰ 9 This only applies to manure. Voluntary standards include but are not limited to those of the Farmers Assuring Responsible Management (FARM) program for animal care, the Gold Standard Dairy program for the Dairy Farmers of America and other equivalents.

Shell engages 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.

There may be countries or regions where the use of specific biocomponents is mandated despite the lack of certified product and these constraints may limit Shell's ability to procure sustainable biocomponents.

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

Certification:

Certain feedstocks are subject to additional assurance through certified third-party multi-stakeholder sustainability standards to mitigate these risks. For example:

1. Palm Oil

1.1 Palm derivatives¹¹ are only procured from members of the Roundtable for Sustainable Palm Oil (RSPO) and are certified as sustainable by the RSPO or ISCC.

1.2. Palm Wastes are only procured as ISCC mass balance certified.

1.3. For palm oil derivatives intended as a feedstock for the production of biofuels in Shell Assets¹²:

a) Crude palm oil and palm oil derivatives are not permitted as a feedstock. This includes the toll-processing of feedstock in third party assets.

b) Palm oil wastes are currently permitted as a feedstock as per EU RED II regulation.

2. Latin American soy derivatives must be mass balance certified by the Roundtable for Responsible Soy (RTRS) or equivalent.

3. Sugarcane derivatives must be mass balance certified by Bonsucro or equivalent.

4. Forestry Products and Residues must be mass balance certified by an appropriate and credible Forest Management certification body.

Furthermore, Shell actively participates in multi-stakeholder initiatives with the above organisations and others to develop robust voluntary sustainability criteria, and to carry out research on the impacts of biocomponents at a regional and global level. Shell regularly engages internal and external 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. Shell also works closely with partners and actively engages animal welfare experts and organisations to understand best practices and incorporate them into our operating standards.

Reporting:

Shell reports on its sourcing of biocomponents in the annual [Shell Sustainability Report](#).

¹¹ For the purposes of this document, palm wastes are defined as those materials listed in RED II Annex IXA. Palm derivatives are considered to be any non-waste material originating from the oil palm.

¹² Includes all facilities/technologies operated by Shell with the intent of producing bio-fuels or bio-components; currently excludes chemicals and lubricants facilities/operations

Further information is available [here](#) regarding Shell's strategic commitment to biofuels in the transport sector, and our activities in Brazil with our joint venture company Raízen where sugarcane-based ethanol is manufactured,.